Weekend

FINANCIAL TIMES

Weekend FT

China's seat at the cinema

SECTION II

A luxury mountain hideaway

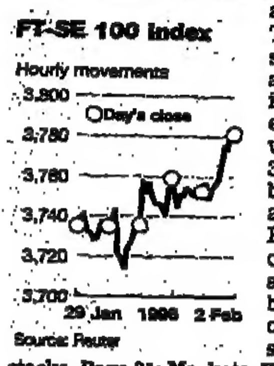
Lunching with Lord Hanson

World Business Newspaper

WEEKEND FEBRUARY 3/FEBRUARY 4 1996

London stocks rise to records after slow week

The London stock market showed surprising strength yesterday in the face of weakness in gilts and European shares.



The FT-SE 100 index surged ahead to set *all-time closing* and intra-day highs. At the end of trading, the index was 28.5 points higher at 3,781.3, just shy of its best of 3,782.6. The late activity helped push the FT-SE 100 up 46.6 points on the previous week after trading had been been sluggish for much of the period. World stocks, Page 19; London stocks, Page 21; Markets, Weekend Page XVIII

Northern Ireland shooting deals blow to peace moves

The Irish peace process suffered a jolt with a gun attack on the home *of a policeman which senior* officers said resembled a republican operation. In Dublin, the Irish government's efforts to bring Sinn Féin into talks were hit when the party refused to sign up to an all-party report on the peace process in Northern Ireland. *Leaders clash, Page 6*

Repola and Kymmene, the Finnish companies merging to form Europe's biggest pulp and paper group, took advantage of a surge in prices last year to report a combined preliminary pre-tax profit of FM6bn ($1.31bn), almost double the previous year's FM3.1bn. Page 8

Baxter International, the US healthcare group, *made a $3.8bn bid for control of National Medical* Care, the world's largest provider of kidney dialysis equipment, after failing to secure agreement to its offer from NMC's owner, the chemicals group W.R. Grace. Page 24

LVMH wins control of Loewe: French luxury goods group LVMH gained full control of Spanish leather, fashion and cosmetics company Loewe, paying about FFr750m ($146.4m) for a 70 per cent stake. Page 8

Norilsk management plans buy-out: The struggle for control of Norilsk Nikel, the world's largest nickel producer and one of Russia's most valuable companies, took an unexpected turn when the enterprise's director said he planned to launch a management buy-out. Page 2

Mattel withdraws Hasbro plan: Hasbro shares *tumbled when Mattel*, the world's leading toy maker, withdrew its merger proposal complaining that Hasbro has taken "drastic steps, both politically and through the media" to prevent the deal. Page 8

Money laundering net widens: The world's leading financial policemen are to consider targeting money laundering from arms trafficking, extortion and bribery as well as the drugs trade. Page 4

Beijing blast kills 100: More than 100 people died after an explosion of illegally stored dynamite demolished a Beijing apartment building and devastated much of its neighbourhood.

Chechen hijackers face 21 years' jail: Turkish prosecutors are seeking up to 21 years' jail for each of the nine pro-Chechen gunmen who hijacked a Black Sea ferry last month with about 200 passengers on board.

Gene Kelly dies: Actor, dancer and *choreographer Gene Kelly, who starred* in the hit movie musicals *Singin' in the Rain* and *On the Town*, has died aged 83.

Fronteras recalled: German carmaker Adam Opel AG and British sister company Vauxhall, units of US-based General Motors, recalled 48,220 Frontera off-road vehicles made before February 1995 because of possible technical faults.

Caught red-faced: A thief in the Danish port city of Esjberg slipped up when he attempted to rob a butcher's shop and fell into a vat of indelible sausage dye. Police said *the clumsy criminal* would be easy to find as he was likely to have a bright-red face for the foreseeable future.

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White House blames bad weather but acknowledges 'some softness' in economy

Jobs fall raises doubts on US growth

By Michael Prowse in Washington

The sharpest monthly fall in US employment since the 1990-91 recession raised fresh doubts yesterday about the economy's health, following a week of gloomy figures.

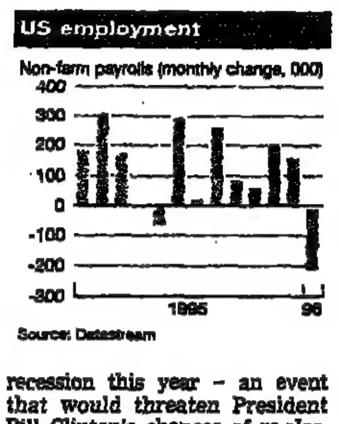
The White House said the jobs decline *last month* was *mainly* due to a severe blizzard that closed many offices while the survey was conducted. However, Mr Robert Rubin, Treasury secretary, acknowledged the figures indicated "some softness in the *economy*".

The Labour Department said non-farm payroll employment fell by 201,000 in January. It was the first decline since a 62,000 drop last May and the largest since April 1991, when the economy was in recession. Wall Street economists had expected a gain of about 59,000, after making allowances for bad weather.

The jobless rate rose from 5.6 per cent to 5.8 per cent, the highest level *since last spring*.

Earlier this week the Federal Reserve, the US central bank, moved to stimulate growth by cutting short-term interest rates by a quarter point to 5.25 per cent. Many analysts expect fur*ther rate cuts in coming months.*

The weak data prompted speculation about the possibility of a



recession this year – an event *that would threaten President* Bill Clinton's chances of re-election in November. However, the

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International bonds .... Page 9

consensus is that growth has slowed temporarily and will rebound in the spring.

Analysts said economic figures were exceptionally hard to read *because of the effects of the* weather, the partial shutdown of the federal government over the Christmas period, and distortions from a strike at Boeing, the aircraft maker.

Growth has undoubtedly *slowed sharply*, to an annualised rate of about 1.5 per cent, but few economists are yet willing to predict an outright contraction of the economy.

"January was a lousy month," said Mr William Brown, chief economist at J P Morgan, the *New York bank. "But I'll bet on a* bounce in the spring."

Mr David Wyss, chief economist at DRI/McGraw-Hill, the economic consultancy, said the east *coasts blizzard depressed the jobs* figures but did not fully account for the national decline. He said people who could not get into work would not have been classified as unemployed, but the weather would have reduced the *hiring of new workers.*

The jobs data showed across-the-board weakness. Manufacturing employment dropped 72,000 and the normally resilient retail sector shed 41,000 jobs. The length of the average working week fell sharply from 34.3 hours *to 33.7 hours – although this was* affected by the blizzard.

The jobs decline follows reports this week of a plunge in consumer confidence last month and a drop in the Purchasing Managers' Index to its lowest since the last recession.

The reaction on Wall Street was subdued. By early afternoon the Dow Jones Industrial Average was down 7.59 at 5,397.47. The *benchmark Treasury long bond*

Continued on Page 24

US strikes deal on 'open skies' with Germany

By Michael Skapinker in London, Michael Lindemann in Bonn and *Caroline Southey in Brussels*

The US and Germany yesterday announced they had reached preliminary agreement on an "open *skies" aviation deal – the first* the US has struck with a large European Union *state*.

The new accord will lift restrictions on the number and frequency of flights between the US and Germany as well as on pric*ing and code-sharing*. This will simplify check-in procedures for passengers using more than one carrier to reach their destination.

The new agreement allows German carriers to fly directly to all US airports instead of the 25 they *have been allowed* to land at so far. Formal talks start in Washington later this month to complete the deal.

Last year, the US negotiated open skies agreements with nine smaller European countries, provoking threats of legal action from Mr Neil Kinnock, EU trans*port commissioner. Mr Kinnock* has said EU negotiations with the US should be conducted by the European Commission on behalf of all member states.

EU officials said yesterday the agreement between the US and *Germany should be regarded* as helpful to Mr Kinnock's cause. Germany, unlike the UK, has been sympathetic to Mr Kinnock's efforts to negotiate on an EU-wide basis. A Commission official conceded the US-German deal *"complicated the issue"*. But it would still be "perfectly possible" for the EU to negotiate on behalf of member states.

Mr Matthias Wissmann, German transport minister, said the agreement should be seen as a *breakthrough* in the attempt to liberalise air transport between the US and Europe.

He said: "The agreement is a building brick for a transatlantic regime between the US and

Continued on Page 24
Man in the News Page 11

No deal: Tansu Çiller, Turkey's caretaker prime minister, above, admitted failure in her efforts to form a new coalition government more than a month after inconclusive elections Report, Page 24 Picture: Reuter

Apple chief believed to have been ousted

By Louise Kehoe in San Francisco

Apple Computer's board is believed to have ousted Mr Michael Spindler, chief executive of the struggling personal computer company. Mr Gil Amelio, Apple board member and chief execu*tive of National Semiconductor*, a Silicon Valley chip maker, is expected to take his place.

There has been speculation that Mr Spindler would be *forced* out since Apple last month announced a $69m (£44m) loss for *the quarter to the end of Decem*ber, normally the strongest season for PC sales.

Apple's board is said to have delayed a decision until now while it considered an informal takeover offer for the company *from Sun Microsystems*, the leading computer workstation manufacturer.

Apple declined to comment yesterday. However, National Semi*conductor announced* the resignation of Mr Amelio and said its

Continued on Page 24

Switch by investors catapults price of gold to six-year high

By Deborah Hargreaves and Philip Coggan in London

Gold prices surged yesterday to reach a six-year high as profes*sional investors piled in to the* market which has been rising strongly since the beginning of the year.

The New York Commodity Exchange price *(March futures)* closed at $416.00 per troy ounce, a *rise of* $3.90. In London, the bullion price touched $417.75 early in the day – the highest point since February 1990 – but later slipped back to $415.40, a *rise of* $5.

The surge in bullion prompted sharp rises in the shares of gold mining companies round the world. The South African gold index hit a 13-month high when it rose 8.8 per cent to 1,902.4 and the Australian gold index was up 5.3 per cent. "There has been a sea change of sentiment in the gold market; professional inves*tors are moving* in against a cocktail of fiscal uncertainties worldwide," said Ms Rhona O'Connell, gold analyst at T. Hoare & Co, the London brokers.

She cited uncertainty over international equity and bond markets and concern over main currencies as well as lower interest rates as reasons for investment funds *switching to gold*.

A round of interest rate cuts which started in New York on Wednesday and was followed by some European banks on Thursday sparked this week's flush of gold buying. Lower interest rates reduce the *investment cost for* gold and make it more competitive against other investments.

The gold price has risen by $10 this week, pushing the market through the $410 per ounce *mark*, an important barrier taking the market into new ground.

Mercury Asset Management is believed to have seen £10m ($15.1m) in cash poured in the *past two days into its Mercury* Gold and General fund, which invests in gold shares.

In Canada, gold stocks were around 2 per cent higher in early trading *after rising* nearly 5 *per* cent on Thursday. In London, shares in mining group RTZ jumped 34p to 950p.

Gold markets, Page 9
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London stocks, Page 21

STOCK MARKET INDICES

FT-SE 100:	3,781.3	(+28.5)
Yield	3.79	
FT-SE Eurotrack 100	1,568.94	(–1.90)
FT-SE-A All-Share	1,852.65	(+0.7%)
Nikkei	20,904.03	(-31.09)
New York: lunchtime		
Dow Jones Ind Ave	5,401.44	(–3.82)
S & P Composite	636.63	(+0.17)

LONDON MONEY

3-mo Interbank	$6\frac{1}{4}$%	($6\frac{1}{4}$%)
Liffe long gilt fut:	Mar $109\frac{11}{16}$	(Mar $110\frac{13}{32}$)

US LUNCHTIME RATES

Federal Funds:	$5\frac{3}{16}$%
3-m Treas Bills: Yld	4.971%
Long Bond	$110\frac{5}{8}$
Yield	6.090%

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$16.75	(16.66)

GOLD

New York Comex (Apr)	$417.6	(413.70)
London	$415.4	(410.55)

STERLING

New York lunchtime:		
$	1.52275	
London:		
$	1.5189	(1.5131)
DM	2.2599	(2.2595)
FFr	7.7595	(7.751)
SFr	1.8513	(1.8424)
Y	162.091	(162.076)
£ Index	83.7	(83.6)

DOLLAR

New York lunchtime:		
DM	1.4855	
FFr	5.1015	
SFr	1.21685	
Y	106.645	
London:		
DM	1.4872	(1.4933)
FFr	5.1088	(5.1226)
SFr	1.2189	(1.2176)
Y	106.68	(107.11)
$ Index	96.4	(96.7)
Tokyo close Y 107.10		

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Doubt over Maccanico's reform mission

By Robert Graham in Rome

The word historic was absent from yesterday's press commentaries on the agreement between the main parties to join forces backing a government to carry out reform of the Italian state.

This was not because anyone underestimated the potential importance of the deal that promises to make the governance of Italy more efficient. Rather, it reflected the enormous caution about the success of the venture.

President Oscar Luigi Scalfaro received plaudits for making Mr Antonio Maccanico premier designate; he is one of the most respected behind-the-scene operators in the Italian establishment. But the prevailing tone of commentators across the political spectrum was caution dosed with scepticism.

The most cautious of all was L'Unita, the newspaper of the Party of the Democratic Left (PDS), the dominant partner in the centre-left alliance which backed the outgoing Dini government. The newspaper's headline read: "Maccanico tries to pull it off."

Such doubt not only reflected the agonised debate within the PDS over the decision to do a deal with the right-wing headed by former premier Silvio Berlusconi. It also underscored concerns that the next government may not last the 18-odd months necessary to carry out the reforms.

It has required little more than 24 hours to show that the main sponsors of the new government – the PDS, Mr Berlusconi's Forza Italia and the rightist National Alliance (AN) – have very different concepts of reforming the state in the mould of a "semi-presidentialist" system on the lines of France.

For Mr Gianfranco Fini, the AN leader, this means the introduction of direct elections for the head of state, who is at present chosen by parliamentary vote. The existing powers of dissolving parliament and appointing prime ministers would be boosted by entrusting the president with some direct legislative authority. But the term of office would be shorter than the current French seven years.

The overall aim would be to have a strong executive reaching down from the presidency.

Until this Wednesday the left had rejected any idea of "presidentialism", especially that being proposed by the right. The 1948 constitution was conceived to create a fine balance of power between the legislature and the executive, and ensure the fascist experience of Il Duce never be repeated.

The PDS had centred its proposals on making government more efficient by concentrating on reforming the electoral system. It sought to introduce a second round of voting, such as in France, with a majority vote. This would enable various parties to coalesce around candidates and parties that had an agreed programme of government, so ensuring a stable period of government with a clear parliamentary majority.

The centre-left has in mind a weak, directly elected presidency like that of Austria and Portugal. The president may designate a premier but the choice must reflect the majority in parliament. The premier's powers would be strengthened, and would be similar to those in the UK.

Bridging the gap between the opposing concepts may prove impossible. Mr Maccanico on Thursday significantly used ambiguous terminology for the nature of the presidential reforms. He talked of reinforcing the powers "at the head of state", which could refer to both the prime minister and president.

Miners poised for victory over Moscow

By Chrystia Freeland in Moscow

The Russian government yesterday appeared to cave in to many of the demands of the country's 750,000 disgruntled coal miners, less than 48 hours after they began a national strike.

Union officials said Mr Vladimir Kadannikov, the former factory manager appointed as deputy prime minister last month, had promised to implement a package of measures next week to prop up the cash-strapped coal sector.

Mr Vitaly Budko, leader of the miners' union, said the government had pledged to grant tax privileges to the coal industry and give monthly subsidies to the mines. Mr Budko said that if the government acted on its promises next week the strike would be called off.

An estimated 500,000 miners from the Kuzbass coalfield in western Siberia, Vorkuta in the far north, Primorye in the far east, and Rostov in the south stopped work on Thursday to demand payment of three months' wage arrears. In neighbouring Ukraine a further 800,000 miners have downed tools.

Mr Kadannikov's concessions were enough to turn Mr Budko, who shouted fierce slogans on the icy streets of Moscow at a rally earlier this week, into a positive fan of Russia's newest cabinet member.

"You can feel that Kadannikov is an industrialist," Mr Budko said of the former car maker whose elevation to the cabinet has been viewed as a sign of the Kremlin's departure from radical market reforms. "Though he does not know the problems of the coal industry, he is trying to look into them."

In Ukraine, the coal miners vowed to stay on strike to press for their unpaid wages, ignoring government pledges to produce some of the cash owed. Trade unionists in eastern Ukraine's Donbass coalfield said 91 of 251 pits were at a standstill. They said 100 other mines were refusing to load coal.

Like their colleagues in Russia and in Romania, where miners also walked out for two hours, the strikers limited demands to securing back pay and state subsidy for the industry.

Although coal miners have lost much of the political and economic influence they enjoyed during the dying days of the Soviet Union, the timing of this week's strike has increased their leverage over the government. Less than five months ahead of presidential elections, the Kremlin appears prepared to abandon the tight spending policies it imposed on the country last year and seems ready to offer disgruntled citizens a renewed flow of subsidies in an attempt to win back voters from the Communist party.

"The miners have gone out on strike right now because they know that, in the run-up to the elections, the president will give in," said Mr Sergei Markov, an analyst at the Moscow-based Carnegie Endowment for Democracy.

Although observers predict that the government's generosity could soon end the strike, Russian liberals fear it could set off an avalanche of state spending which could shatter the country's fragile economy.

Mr Mikhail Zadornov, chairman of the parliament's budgetary commission and a member of the reformist Yabloko party, said the government was wrong to intervene in what was a dispute between the miners, their employer, Rosugol, the state-owned coal monopoly, and the coal industry's non-paying customers.

"The government is under the miners' thumb," he said.

Other reform-minded observers have gone even further, like Ms Olga Romanova, a columnist for Sevodnya, a liberal Moscow daily, who accused the miners of trying to "blackmail" the Kremlin and compared them with Chechen "terrorists".

Post-war discord sours Czech ties with Bonn

Expulsion of 3m Germans remains a thorny issue, write **Judy Dempsey** and **Vincent Boland**

Little did Mr Gerd Albrecht realise what he was taking on when he accepted the post of chief conductor of the Prague Philharmonic in 1993. The orchestra, founded in 1896, regarded itself as at the vanguard of the Czech Republic's national revival and the guardian of the nation's consciousness.

Soon after his appointment, Mr Albrecht, the first foreign director in the orchestra's history, and a German, fell out with the authorities. He resigned this week. Some Czechs argued he had failed to continue the orchestra's tradition of interpreting and propagating Czech music. Others went further, questioning why a German should run the national orchestra in the first place.

Mr Albrecht's departure illustrates the deep psychological and political tensions between Germany and the Czech Republic. The small, almost ethnically homogenous central European nation, anxious to get closer to the European Union, is the last in the region to sign an accord with Bonn.

The tensions stem from the expulsion of 3m Sudeten Germans from the former Czechoslovakia after the second world war, a subject kept taboo by the former communists.

President Vaclav Havel attempted to address the issue in 1991 when he visited Germany, his first state official visit.

He apologised for the excesses of the expulsions but not for the act itself. But even Mr Havel's limited apology was a step too far for many of his compatriots. Ms Petra Buskova, deputy leader of the opposition Czech Social Democrats, said his move "came too early in the process" of Czech/German reconciliation, and that it was "impossible for any Czech political party to apologise for the Benes decrees".

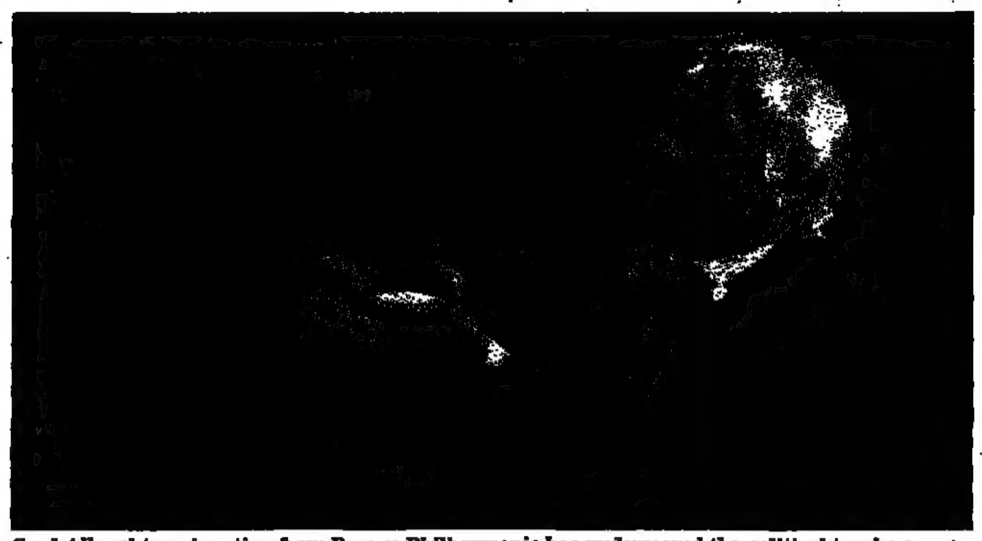
The decrees – issued on the basis of an understanding reached between Mr Eduard Benes, the president of Czechoslovakia, and the Allied powers in 1945 – legitimised the new Czechoslovak state as well as the expulsion of the German and Hungarian communities, including German-speaking Jews who had returned from Auschwitz. That understanding undermined centuries of co-existence between Czechs, Germans and Jews, a rich cultural heritage which had shaped Prague's pre-war intellectual life.

"After Havel's visit, the Czechs backpedalled on this issue," a German official said. "The Czechs did not want anything to do with what had happened in 1945. Needless to say, the Sudeten Germans in Bavaria were annoyed. They had expected more from the new democratic Czech Republic, perhaps even the right of the freedom to return, even if they never intended to."

The Czech government wants to disown the expulsions. However, the German government has asked the Czechs to distance themselves morally from the Benes decrees.

"The Czechs find this difficult to do. Having emerged from 40 years of communism, they now have a narrow perspective. Crucially, they have not come to terms psychologically with the impact of the war and the aftermath of the war with respect to the Germans," said Mr George Schöpflin, lecturer in eastern Europe at London University.

But there is another, more immediate, reason why the Czechs are reluctant to distance themselves from the Benes decrees. "The Czechs feel the roof would fall in if they even publicly said they would morally distance themselves from the decrees," explained Mr Schöpflin. "For them, it would amount to admitting the decrees were illegal. Then the whole question of compensation, property rights and restitution for those expelled would be thrown wide open."



Gerd Albrecht: resignation from Prague Philharmonic has underscored the political tensions

The fear of compensation and of Sudeten Germans returning to their property – expropriated during 1945 and given to Czechs in a resettlement programme under the communists – haunts the Czechs.

To allay fears, Prague wants the German government to acknowledge that the modern, democratic Czech Republic had nothing to do with the expulsions; the past is over and the property issue is closed.

As Mr Vaclav Klaus, the Czech prime minister, told German television last month: "One cannot change the past... we must look to the future." Had Chancellor Helmut Kohl believed that, perhaps he would have found time to meet Mr Klaus during his recent visit to Bonn.

Mr Jiři Pehe, a political analyst in Prague, sees this as part of a broader Czech unwillingness to face up to its past.

Taboo issues such as Czech collaboration with the Nazis "will have to be addressed if this nation is to stand on its own feet," he said. Mr Pehe also believes the Czech government will have to apologise for the Benes decrees if Germany threatens to use the issue to block its entry into the European Union. Indeed, if the Czech republic joins the EU, non-Czechs would be free to buy property in that country.

The German government maintains that the past must be confronted before relations are normalised; that the Czech government cannot ignore what occurred 50 years ago. This reluctance on the part of the Czechs is one reason why Germany is holding up a compensation agreement for Czech victims of Nazism, although German officials deny any link.

Officials in Bonn concede the Benes issue may not be settled until after next May's Czech parliamentary elections.

"We can't rush it. We don't want to be seen as acting as the bossy neighbour, which is exactly what some Czechs think we are doing. What is at stake for the Czechs is the question of statehood and pride."

Tietmeyer warns on one currency

By Robert Chote, Economics Editor, in Davos

Mr Hans Tietmeyer, president of the German Bundesbank, declared yesterday that Europe would have only one chance to make a success of a single currency and that it would be dangerous for the European Union if it did not succeed from the start.

Speaking at the World Economic Forum in Davos, Switzerland, Mr Tietmeyer was adamant there should be no relaxation of the convergence criteria laid down in the Maastricht treaty for participants in a single currency.

He said any relaxation of the rules – for example on the permitted size of budget deficits – would make it impossible to convince the German population that the planned "Euro" would be stable enough to supersede the D-Mark.

Mr Tietmeyer's comments come at a time of growing speculation that the slowdown in the European economy might derail or delay the plans for a single currency. Economists believe it may be impossible for many countries to get their budget deficits below the 3 per cent laid down in the Maastricht treaty because of weak tax revenues and high social security spending.

However, Mr Jean Claude Trichet, governor of the Bank of France, dismissed the idea that the start date for monetary union might be postponed from January 1, 1999. "There is absolutely no point in changing the date or reflecting on the date," he insisted.

Mr Yves-Thibault de Silguy, European commissioner responsible for the single currency, predicted the Maastricht requirement on budget deficits would be within the grasp of most EU members. There were "a lot of good ideas" in the German proposal for a "stability pact", which would set tougher rules for the budgetary policies of countries which joined the single currency.

Mr Tietmeyer pressed the Commission to come up with proposals of its own for fiscal policy rules, with automatic penalties for governments judged by the European Council to be borrowing too much.

The policymakers in Davos also painted a guardedly optimistic picture of the outlook for the world economy, in line with the conclusions of last month's meeting of finance ministers from the Group of Seven leading industrial countries.

Editorial Comment, Page 8

Buy-out offer at top nickel plant

By Chrystia Freeland

The struggle for control of Norilsk Nikel, the world's largest nickel producer and one of Russia's most valuable companies, took an unexpected turn yesterday when the enterprise's director said he planned to launch a management buy-out.

Mr Anatoly Filatov, general director, said the plant's management was trying to raise $170.1m to buy back the 38 per cent stake which Oneximbank, one of Russia's leading banks, acquired as part of the government's controversial privatisation programme last autumn.

Mr Filatov said Oneximbank had agreed in principle to the buy-out, but bank officials would not confirm his claim.

Mr Filatov's offer is the latest twist in a long-running battle between Norilsk Nikel's Soviet-era management and Oneximbank, an aggressive Moscow bank, for control of one of the crown jewels of the Russian economy. The struggle between the plant's "red director", the ex-communist management rump, and the nouveau riche Moscow financiers mirrors similar conflicts at dozens of enterprises throughout Russia. Its outcome will have a strong influence on the economy's future shape.

Last autumn Oneximbank, which enjoys close ties with the Russian government, appeared to be winning. Despite fierce objections from the management, a 38 per cent stake in Norilsk Nikel was included in the disputed shares-for-loans privatisation auctions which the government held. Oneximbank won control of the shares.

But after the communist triumph in December's parliamentary elections, Mr. Boris Yeltsin, the Russian president, and his closest allies began to distance themselves from the autumn privatisation programme. The scheme had been criticised from the outset as a corrupt process.

This shift in the political wind appears to have strengthened the position of the Norilsk Nikel management. Oneximbank's attempt to take effective control of the plant by calling an extraordinary shareholders meeting this week was thwarted by a court injunction.

A Russian court is currently considering whether to rule the privatisation of Norilsk Nikel illegal. Parliament is expected to debate the issue later this month.

EU ministers to consider à la carte energy plan

By Emma Tucker in Brussels

The idea of liberalising Europe's energy markets "à la carte" is expected to be presented at an informal ministers meeting in Bologna today, as part of fresh efforts to break the deadlock in injecting competition into the sector.

Mr Alberto Clo, Italian energy minister, is likely to raise the possibility of phasing in liberalisation, according to the desires of each member state. For example, if one state agrees to open its energy market by 20 per cent, it will only be allowed access to 20 per cent of another member state's market, regardless of how open that market might be.

"The idea is to have a percentage opening of the market country by country," a Brussels diplomat said. "The trouble with this is that you risk having an internal market à la carte that is not in keeping with the spirit of the single market. We will have to wait and see what reactions are."

Ministers have been desperate to find a solution to energy liberalisation that is acceptable to France, which jealously guards the monopoly position of Electricité de France, the state supplier. It has so far resisted efforts by the European Commission to bring about a competitive, internal market in energy.

This has infuriated states such as Germany, under pressure from domestic industry to introduce proper competition into the sector so that prices can fall. Germany complained that alternative liberalisation models put forward by France were unfair as they gave France better access to neighbouring markets than it was prepared to give to foreign energy companies.

"We want more competition," a spokesman for the German energy ministry said.

The idea of à la carte liberalisation is unlikely to be accepted by either the Commission or certain member states. However, another idea, which would at least provide consistency at an EU level, would be to set the percentage by which states were required to open up their markets at a common level. It would then be up to member states to decide how to reach that agreed level.

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Cocoa colonels cash their chocolate chips

Angus Foster on the decline of a once great Brazilian industry

A hundred years after it all started, Brazil's cocoa "colonels" are cashing in their chocolate chips.

Once the world's biggest cocoa grower, Brazil's industry is in sharp decline, hit by underinvestment and a fungus which is ravaging harvests. The big landlords, dubbed "colonels" because early this century they bought military ranks as status symbols, are selling up, switching to other crops or turning their farms into fallow tourist attractions.

Mr Antônio Rhen da Silva, mayor of Ilhéus, the cocoa region's once prosperous heart, says he has reduced his plantations from 600 hectares to just 20. "Everyone's poorer, not just the farm owners. Before, there was hardly any poverty in this region and unemployment didn't exist. Today, some people live off food on the rubbish tips," he says.

The cocoa plant, discovered in the Amazon, was brought at least two centuries ago to Ilhéus, where it grew well thanks to a sunny, wet climate. But it was in the "golden age" of 1880-1930 that the plant became the area's main crop, accounting for more than 90 per cent of Brazil's production, when world demand for chocolate exploded as US and European incomes rose.

With the boom came untold wealth which built mansions along the palmy coast, a cathedral, theatre and the red marbled town hall. It also brought a "wild west" scramble for land and countless tales of banditry. Ilhéus's most famous former resident, the author Mr Jorge Amado, based some novels in the town, including "The Violent Land", a semi-fictional account of a land feud.

Mr Raimundo Sá Barreto, a friend of Mr Amado, says the real-life conflict was only resolved when the state government sent a warship and 200 soldiers to separate the fighters. "It was a time of violence, but also great intellectual strength. Thirty newspapers were founded between 1902 and 1937," he says.

The cocoa industry continued to grow, despite several boom-and bust cycles, until its peak in the early 1980s, when about 600,000 hectares were under cultivation in the Ilhéus region and 450,000 people worked on the land.

Then two disasters hit. World output soared as Malaysia and Indonesia both invested heavily in new cocoa plantations and overtook Brazil, which will this year fall to fourth place among the world's producers, with the Ivory Coast now number one. Prices fell sharply, from above $4,000 a tonne in the 1980s to about $1,300 today.

Later, a fungus called *crinipellis perniciosa*, better known as witches' broom, swept through the Ilhéus region attacking plants. The region's reliance on a single crop, and its failure to diversify during the good times, made its problems worse. Yields this year are down to 300kg a hectare, compared to 780kg 10 years ago. Some estimates say 250,000 jobs have gone since 1990 as the crisis has grown.

In a final symbol of its decline, Ilhéus last year imported cocoa for the first time because the harvest was insufficient for local manufacturers, who semi-process the cocoa before selling it to chocolate makers in Brazil and around the world.

Nearly every farmer says the central government has not done enough to mitigate the sudden decline. It promised $340m to help fight the fungus, although growers complain that little money has arrived and bureaucratic delays mean some farmers get their money long before neighbours.

"It's useless to spend money on only some farms because you immediately get infected again via your neighbour," says Mr Everaldo Anunciação agriculture secretary for the city of Itabuna, 25 miles inland from Ilhéus.

Although farmers have fallen on hard times, and Ilhéus's population has doubled to 200,000 in 10 years as its outskirts have swollen with unemployed migrating rural workers, the city centre is surviving and may point to the future. The city's beaches, its history as one of Portugal's first settlements in Brazil, and interest generated by Mr Amado's books make it a perfect tourist location. Building starts on a convention centre this year. Several "colonels", including the owner of one of Ilhéus's newest hotels, have sold or abandoned their land to concentrate on tourism.

"Today we have 7,000 hotel beds compared to just 200 in the 1970s," says mayor Mr da Silva, who himself plans to start a fishing business for tourists when he leaves office.

Other growers, like Mr Sá Barreto, are diversifying to plant coconuts, palm trees and fruits such as acerola and banana. With farmers branching out, Mr Anunciação says Brazil's production will fall further. After producing 500,000 tonnes a year in the late 1970s, and an estimated 225,000 tonnes this year, he says output will soon stabilise at about 150,000 tonnes.

"Who will survive? Small families who have no option but to grow cocoa, and big companies with technology and money to invest. But it can only be companies, there will be no more colonels," he says.

For farmers leaving the business, the fall from prosperity is difficult to understand. Mr Watson Negreiros Souza is retiring after 42 years planting and working with cocoa. "I'm not going to be sorry to leave, because the people I used to meet in this business were rich, and they're now nearly paupers," he says.

Soccer success rallies S Africa

By Roger Matthews in Johannesburg

For the second time in seven months South Africa has been gripped by sports fever, heavily laced with political and racial symbolism. At 4.30 this afternoon, 11 South Africans will take the field in the final of the African Nations Cup, the soccer tournament from which until now they have always been barred.

The political symbolism of South Africa's return to Africa has been heightened by the composition of the national squad, which broadly reflects the country's racial composition. The squad, like the country, is mainly black. And soccer, unlike rugby and cricket, is the predominant sport of South Africa's majority.

The victory of the Springbok rugby team in last June's rugby world championships did, briefly, help to bring the nation together. But there was only one non-white in the winning team, and the overwhelming majority of spectators at the final, as at all other matches, were white.

The picture was little different during South Africa's recent comprehensive demolition of the England cricket team: once again there was only the diminutive figure of spin bowler Paul Adams to leaven an otherwise all-white South African team.

But blacks did dance in the streets after the rugby victory over New Zealand and President Nelson Mandela, with his unerring sense of political gesture, appeared at the final wearing the No 6 shirt of the Springbok captain.

His appearance, and dress, are certain to receive a tumultuous welcome at the FNB stadium in Johannesburg today in front of a capacity crowd of 80,000, of whom at least 20 per cent are likely to be white. Only the most determined or dedicated white soccer supporters regularly attend local matches, but the breakthrough achieved in the past three weeks could begin to change that pattern.

The triumphant progress of the South African team, through the earlier rounds of the competition, with just one setback against Egypt, has been charted by the local media with ever growing enthusiasm. Headlines such as "one team, one nation, one victory" have dominated the front pages, while the reporting of the actual matches has become almost incidental.

Failure for the team at the final hurdle today might not matter because of the immense pleasure their success so far has provided for the country. But nobody is contemplating anything other than victory and the unleashing of a celebration that Johannesburg's understaffed and hard-pressed police force alone will greet with apprehension.

Last Wednesday, when South Africa secured their place in the final with an emphatic 3-0 victory over Ghana, one of the tournament's favourites, the celebrations lasted far into the night, black embraced white, and many offices were slow to begin work the following day.

That will be as nothing if South Africa win today. And, amid all the pre-match excitement, it is worth remembering that another team will be taking the field. Tunisia, from the north of the continent, have surprised everyone, and probably themselves, by reaching the final, and through their success, becoming witness to another small step towards making South Africa a less divided nation.

Dole, Gingrich and Armey promise to extend $4,900bn debt ceiling

Republicans act to reduce threat of US default

By Jurek Martin in Washington

Mr Robert Rubin, the US Treasury secretary, yesterday welcomed as "constructive" Republican actions late on Thursday which were designed to ease the threat of the US government defaulting on its debts.

But he remained cautious about whether the imminent crisis had dissipated until it became clear that the Republicans were willing to extend without unacceptable conditions the current $4,900bn debt ceiling.

A letter sent by the three senior Republicans on Capitol Hill to President Bill Clinton promised to extend the debt ceiling by the end of this month "in a manner acceptable to both you and the Congress".

Later in the evening both houses passed bills designed to get over the immediate threat of default at the end of the month, which Mr Rubin has insisted was real. The legislation authorises the Treasury to raise an additional $30bn to ensure that social security payments to beneficiaries are made in March.

This, Mr Rubin said in New York, gave the Treasury some "headroom" because "it got us out beyond the March 1 period".

The written commitment by Senator Bob Dole, the majority leader, and Congressmen Newt Gingrich and Dick Armey, respectively Speaker and majority leader in the House, was bolstered later by Mr Gingrich, who said bluntly: "We are going to get him a debt ceiling bill and it will be signed."

Some Republicans still want to attach terms to the bill to preserve parts of their agenda which have effectively been lost in the running balanced budget battle with the administration. They had tried to use the debt issue as a lever to force the president into significant concessions on the budget.

Senator Robert Dole and House Speaker Newt Gingrich share a joke in Mr Dole's office, where they discussed the budget this week AP

But both the Speaker and Congressman Bill Archer, chairman of the ways and means committee, said any conditions would be revenue neutral, with, for example, tax cuts offset by the closing of corporate tax loopholes. Mr Archer also said the debt ceiling would be extended to the end of the current fiscal year in September.

Defeated on both the debt and the balanced budget, the Republicans are now trying to salvage a more limited budget agreement in negotiations with conservative Democrats. This, Mr Gingrich said, would have to entail smaller and shorter-term tax cuts than originally envisaged.

They may also try to put Mr Clinton on the spot by passing the less radical Senate version of the welfare reform bill, which he had said last year he could accept. But the president this week found new objections in the Senate bill, thus keeping liberal Democrats firmly on his side.

But Mr Clinton at present seems to hold most of the cards in his dealings with the Republicans.

Congress itself, having finally passed the telecommunications bill this week but postponed action on the far-reaching farm bill, plans to go into recess next week until February 26.

$1.7bn package is world's first totally private funding for an urban transit system

Bangkok railway secures funding at last

By Ted Bardacke in Bangkok

A much-delayed funding package for Bangkok's first mass transit system, a 23.5km elevated rail line through the centre of the city, was finalised yesterday, 15 months after construction began. The $1.68bn package consists of exclusively private funds, making the project the world's first urban mass transit system to be financed without government assistance or sovereign guarantees.

Thai banks, led by Siam Commercial Bank, will provide $498m in local currency financing to the Bangkok Mass Transit System Corp (BTSC), a wholly-owned subsidiary of property developer Tanayong. International banks, led by Germany's KfW, will lend $424m, of which $201m are export credits linked to Siemens, one of the two major contractors on the project. The International Financing Corporation, the private sector lending arm of the World Bank, will lend an additional $50m.

Tanayong will provide equity of $655m. Of this amount, just over $100m comes from proceeds of a $128m secured debenture that Tanayong issued earlier this year. Tanayong will also sell 12 per cent of BTSC to the project's other major contractor, Italian-Thai Development, and 18 per cent to as yet unnamed strategic partners. An additional 20 per cent of BTSC, worth nearly $200m, will be floated on the Thai stock exchange via an initial public offering expected in the third quarter of this year.

Siemens will not become a shareholder, as was previously expected.

Funds will not be made available until the Thai government resolves a land dispute at one of the system's terminals and gives the banks assurances about fare adjustments.

Land disputes have delayed another mass transit project for years, while in 1994 a dispute about tolls forced the state-sponsored takeover of a privately-built expressway.

The complex package, which could eventually see Tanayong reduce its stake in BTSC to as low as 21 per cent after the project is completed in 1998, is radically different from that first envisaged. Protests from environmentalists who wanted the unsightly system to go underground, from economists who questioned the its profitability, from safety experts who say it is a fire hazard, and a refusal by Bangkok Bank to fund the project led many to believe Tanayong had made a huge mistake by starting construction before securing financing.

"For a project of such magnitude and complexity, it is unavoidable that problems will arise. It is also natural to attract critics who have for a long time argued that adequate private sector financing for a rail transit project of this kind could not be found," said Mr Kasame Chatikavanij, chairman of BTSC. "They have been proved absolutely wrong."

But bankers involved in the deal noted that Tanayong's gamble in the end made sense. By pushing ahead with construction they made an ally out of the Thai government, which is anxious to be seen to be doing anything to alleviate Bangkok's traffic woes. The government then helped deflect the environmental and safety criticism and leaned heavily on Siam Commercial Bank, majority owned by the Crown Property Bureau, to take the lead in funding the project.

Tanayong also relied heavily on the goodwill of Ital-Thai, which did nearly Bt1.5bn of unpaid work on the system while the financiers scrambled to find the money. And by reducing its equity stake, Tanayong has protected itself somewhat if the system ends up losing money, which is still a subject of debate given passenger estimates. BTSC says these are "conservative" assuming that approximately 5 per cent of Bangkok's residents will make at least one roundtrip ride on the system every day.

JAPAN PUTS CASE FOR BULLET TRAIN IN BEIJING

Japan has sent a mission headed by Mr Minoru Toyoda, vice minister of transport, to try to convince the Chinese authorities that Japan's bullet train is the best for a Beijing-Shanghai high speed rail link, which is expected to cost about $8bn, writes Michiyo Nakamoto in Tokyo.

The Chinese government is expected to make a decision on the project when it draws up the country's next five-year economic plan next month.

Germany's Siemens and France's Alcatel Alsthom have taken the lead in promoting their respective systems, ICE and TGV.

The Japanese authorities and private businesses, keen to press the Japanese case, have formed a consortium to promote the bullet train for the Chinese project.

"We believe that Japan's technology and experience over 30 years in running reliable rapid transit trains with a heavy load factor will be very useful to China," said a ministry of transport official who is part of the mission.

Japan indicated last year it could provide yen loans for part of the project if it is judged feasible.

The Japanese are particularly keen to win the Chinese project, after having lost out to a consortium including France's TGV in a South Korean high-speed railway project connecting Pusan with Seoul two years ago.

The bullet train has advantages over the European systems, such as lower maintenance costs and greater energy efficiency.

World's financial police to cast money laundering net wider

By George Graham, Banking Correspondent

The world's leading financial policemen are to consider targeting money laundering from arms trafficking, extortion and bribery as well as the drugs trade.

Members of the Financial Action Task Force, grouping senior government officials from the European Commission, the Gulf Co-operation Council and 26 other countries, have launched a review of their guiding principles.

The review is expected to be completed by June, and could result in the criminalisation of money laundering linked to any serious crime.

The Task Force's current recommendations, which set out minimum standards for money laundering laws in member countries, only require the criminalisation of drug money laundering, although countries are also urged to consider extending the offence to other crimes with a narcotics link.

Mr Ronald Noble, under-secretary for enforcement at the US Treasury and president of the Task Force, said the group had not yet decided whether to widen the definition of money laundering. Including all serious crimes could, however, make it simpler for law enforcement officials to launch investigations of transactions that look suspicious but have no obvious drugs link.

"It would make it much easier to collect information," Mr Noble said. "People who before were engaged in the illegal transfer of funds would find it more difficult and more costly."

A broader definition might, however, make it more difficult to apply the Task Force recommendation that countries should have the power to confiscate laundered money.

The review is not expected to result in big changes to the 40 principles currently recommended by the Task Force, which officials believe have already contributed to substantial advances in the fight against money laundering.

But the review will also have to consider whether to address the new issues raised by the development of "cybercash," new varieties of payments systems such as stored value cards or electronic purses.

"We have to be concerned as an organisation to come up with principles which recognise that technologies could pose a threat but do not define them in such a way that you are dated as soon as you publish them," Mr Noble said.

Law enforcement officials are keen that the developers of new financial technologies should think about their criminal potential before they launch them, so that governments do not have to clamp down on them afterwards with rigid rules.

Possible safeguards against the misuse of electronic purses could include limiting their maximum value or restricting their use to certain closed systems.

Confidence in Japanese big banks returns

By Gerard Baker in Tokyo

The "Japan premium", the extra cost of borrowing charged to Japanese banks in international money markets since last summer, has all but disappeared as fears about the country's financial instability have begun to ease.

The leading Japanese banks were yesterday being offered funds at just a small fraction above the big European and American banks in Tokyo and London markets.

Traders said the stronger Japanese commercial banks were being charged a premium over their international competitors of just 0.03 percentage points for one-month dollar funds, and about 0.1 percentage point for one year money.

The premium, which has periodically dogged Japanese banks over the last decade, rose sharply in the second half of last year as international concern about the security of the country's banks intensified.

A series of failures of institutions last summer and the Daiwa bank affair in September increased the perceived risk associated with Japanese banks for foreign lenders.

As a result, the rates charged to the strongest banks rose as high as 0.6 percentage points and were even higher for some of the weaker ones.

Market participants yesterday attributed the decline to a number of factors that have improved the apparent prospects for Japanese banks in the last few weeks.

The government's plan for a liquidation of the country's bankrupt housing lenders may have proved highly unpopular with voters, but it appears to have convinced foreign banks that an end to the country's bad debt problem is in sight.

The housing lenders have been the most extreme example of the problem of nonperforming loans in the financial system – most of them accumulated during the collapse of asset prices in the last five years.

The strengthening stock market has also lifted sentiment. Japanese banks' capital adequacy is acutely sensitive to the level of stock prices, and the 45 per cent rise in the Nikkei index of 225 leading stocks since last summer has bolstered their capital strength.

Smaller banks were yesterday still being required to pay a slightly higher premium than their stronger rivals. Traders said this pattern was merely a reversion to the status quo.

"What we are seeing is the market taking once again a more rational view of Japanese banks. The big banks in particular are benefiting from a more realistic assessment of the relative risks," said Mr John Crees, head of trading at Banque National de Paris in Tokyo.

But some of the banks themselves remained cautious about the improved climate. One official at a leading lender said the decline in the premium had come as demand for funds from Japanese banks had declined in the last month. That pressure is expected to rise again before the financial year end.

"We may see the premium emerge again as we need to raise more funds before the year end in March," he said.

● The Japanese government said yesterday it would release more information about the collapsed housing lenders at a closed parliamentary session next week.

The authorities are under heavy fire for their decision to spend at least Y685bn (£4.3bn) in public money on the bailout of the companies.

On Tuesday opposition members walked out of a parliamentary debate, saying they would boycott further meetings until the government released more documents which might reveal the circumstances that led to the collapse of the lenders.

BUILDING SOCIETY INVESTMENT TERMS

Name of Society	Product	Gross Car	Gross	Net	Net Car	Interest Paid	Minimum Balance £	Access and other details
Birmingham Midshires (0645) 720721	Cornium High Int	5.60	5.60	4.48	4.48	Yrly	50,000	Instant Access above £10K, otherwise 60 day notice
	First Class Instant Access	6.40	6.40	5.12	5.12	Yrly	100,000	Instant Access Postal Account
	First Class Instant Access	5.75	5.75	4.60	4.60	Yrly	25,000	Instant Access Postal Account
Birmingham Midshires (Guernsey) (01481) 700600	Offshore Fixed 1 Year	6.50	6.50	-	-	Yrly	5,000	Fixed until 31 Jan 1997, max £2m
	Offshore Fixed 2 Year	6.75	6.75	-	-	Yrly	5,000	Fixed until 31 Jan 1998, max £2m
	Offshore Fixed 3 Year	7.25	7.25	-	-	Yrly	5,000	Fixed until 31 Jan 1999, max £2m
Bradford & Bingley (0800) 252993	Monthly Saver	-	7.00	5.25	-	Yrly	10-100	Twelve equal, consecutive monthly payments.
	Special Asset	-	5.85	4.39	-	Yrly	80,000	90 days notice, tiered interest rates
	Special Asset	-	5.55	4.16	-	Yrly	40,000	monthly interest available.
	Special Asset	-	5.40	4.05	-	Yrly	20,000	
	Special Asset	-	4.95	3.71	-	Yrly	10,000	
Catholic (0171-222 6736/7)	Jubilee Bond 2	6.42	6.42	4.82	4.82	Mthly/Yrly	30,001	90 Day notice or penalty, £2k + at 6.17% (4.63% net)
Century (Edinburgh) (0131 556 1711)	"A" Shares	6.00	6.00	4.50	4.50	Annually	100	Guaranteed
	Ordinary	5.319	5.25	3.9375	3.976	Yrly	1	Instant Access
City & Metropolitan	Super 60	5.90	5.90	4.43	4.43	A	10,000	60 days notice for withdls. Gross rate for £500-£9,999 - 5.30
Halifax Building Society (Tel 01422 333333)	Bonus Gold	-	6.05	4.54	-	Yrly	100,000	Includes an interest bonus of 0.25% G p.a. provided no withdrawals
	Bonus Gold	6.05	5.90	4.43	4.51	Mthly	100,000	made during previous 12 month period. Tiered rates from £10,000.
	Solid Gold	-	5.20	3.90	-	Yrly	50,000	Instant access, no penalty on min of £5,000. Otherwise 90 days
	Solid Gold	5.20	5.08	3.81	3.88	Mthly	50,000	notice or 90 days loss of interest. Tiered interest rates from £500
	Liquid Gold	-	4.15	3.11	-	Yrly	25,000	Instant access no penalty. Tiered interest rates from £50
	TESSA 2	-	5.90	-	-	Yrly	50	5 year term including 2 bonuses.
Leeds & Holbeck (0113 245 9511)	Capital Bond	6.50	6.50	4.88	4.88	30 April	150,000	90 days notice/penalty. Monthly income option also available
	Gold Access	5.20	5.20	3.90	3.90	1 Jan	100,000	No notice, no penalty
	Tessa	6.25	6.25	-	-	1 Jan	1	No transfer restrictions or charge on withdrawal ¼ % extra loyalty yr 5
Marsden (01282 692821)	Aquarius	-	4.75	3.56	-	Annually	25	No notice, no penalty - senior citizens only.
	Follow-up Tessa	-	7.00	-	-	Annually	10	
Newcastle (0191 232 6676)	Direct 50	-	6.90	5.52	-	Annually	100,000	Withdrwls subject to 50 days notice (Instant access, 50 days loss
	Direct 50	-	6.65	4.99	-	Monthly	100,000	of interest). Available through "Newcastle Direct".
	Nova Star (Issue VIII)	-	6.00	4.80	-	Annually	1000	No withdrwls during 12 mnth term. Thereafter 90 days notice (Instant access 90 days loss of interest).
Portman Channel Islands (01481 822747/8)	Gold Plus	6.45	6.45	-	-	Yrly	5,000	Max. holding £1,000,000. 90 days notice or penalty. Monthly option
	Instant Gold	6.00	6.00	-	-	Yrly	5,000	Max holding £1,000,000. Instant access. Monthly option.
Principality (01222 344188)	Tessa	7.25	-	-	N/A	Annually	25	Tax exempt where capital remains for 5 years.
Skipton (01756 700511)	High Street	5.60	5.60	4.20	4.20	Yrly	2,000	Instant access, operated
		5.75	5.75	4.31	4.31	Yrly	15,000	through branches.
		6.50	6.50	4.88	4.88	Yrly	30,000	
Yorkshire (0800 378836)	Tessa Premier	6.65	6.65	-	-	Yrly	100	90 days notice to transfer
	1st Class Access	5.70	5.70	4.28	4.28	Yrly	100,000	Minimum opening balance £1,000
	1st Class Access	5.45	5.45	4.09	4.09	Yrly	50,000	Instant postal access
	1st Class Access	5.20	5.20	3.90	3.90	Yrly	25,000	Link ATM card for access 24 hrs
	1st Class Access	5.10	5.10	3.83	3.83	Yrly	10,000	
	1st Class Access	5.00	5.00	3.75	3.75	Yrly	1,000	
Woolwich (0800 222200)	Premier 90	-	5.80	4.35	-	Yrly	200,000	Monthly income available
		-	5.50	4.13	-	Yrly	100,000	Rates variable
		-	5.25	3.94	-	Yrly	50,000	One instant withdrawal £10k per
		-	5.00	3.75	-	Yrly	25,000	annum, others at 90 days
		-	4.15	3.11	-	Yrly	10,000	Notice/penalty
		-	3.50	2.63	-	Yrly	5,000	

For telephone see local directory. #Net of basic rate tax. CAR = Annual yield after interest compounded. 6/2/96

INTERNATIONAL NEWS DIGEST

Philips attacks microchip pact

Philips, Europe's largest producer of semiconductors, yesterday denounced the US-Japan semiconductor pact, due to expire in July, as discriminatory. Mr Doug Dunn, chief executive of the Dutch group's semiconductor division, argued that European companies are unfairly left out of the Japanese market because of the accord. It should be turned into a three-way pact between the US, Japan and Europe, he said.

Formally, the 1986 accord is supposed to reserve a Japanese market share of at least 20 per cent for all foreign chip makers. Yet European chip producers hold a mere 1 per cent of the market, said Mr Dunn. Washington is keen to extend what has been an advantageous agreement for its electronics industry.

Japan, however, is eager to let the agreement die on the grounds that it has proved a political headache to implement. *William Dawkins, Tokyo*

German deal on foreign workers

Chancellor Helmut Kohl's coalition government has settled a long-running dispute with the opposition Social Democratic party that has delayed proposals to clamp down on the employment of cheap foreign labour on German building sites. But the planned legislation, designed to prevent workers from Britain, Portugal and other EU states undercutting German building workers, needs to be approved by a special committee of trade unions and employers. There was no sign yesterday of the employers easing their opposition to the move.

If the new rules enter force, foreign companies intending to send building workers to Germany will have to send details of their plans in writing to the relevant state labour office. *Peter Norman, Bonn*

Packer signs China TV deal

Mr Kerry Packer, left, the Australian media magnate, yesterday signed an agreement under which his top-rating Channel Nine television network will exchange programmes with China Central television. Mr Packer appears to have stolen a march on his arch rival Mr Rupert Murdoch in clinching the deal with China's main television organisation. Mr Murdoch's News Corporation is also in negotiations with China Central on various co-operative schemes, but these have yet to materialise. Star TV, the Murdoch-owned satellite broadcaster, has been seeking to strengthen its position in the China market, but Beijing is not making the task easy.

It banned private satellite dishes in 1993 to try to restrict the spread of international broadcasts. *Tony Walker, Beijing*

Kenya steps up graft crackdown

Kenya has stepped up its crackdown on alleged official corruption at the port of Mombasa, announcing that Mr Sospeter Arasa, permanent secretary at the transport ministry, had been sent on compulsory leave.

Mr Arasa is the highest ranking of nearly 20 officials from the transport ministry, revenue authority, customs and excise and port authority to be targeted as the government seeks 1,200 vehicles that disappeared at the port.

The investigation, clearly aimed at tackling rising donor complaints about graft, was launched while an International Monetary Fund delegation was visiting Nairobi. The delegation, now back in Washington, is deciding whether to release a $220m enhanced structural adjustment facility blocked for over a year because of dissatisfaction with Kenya's performance. *Michela Wrong, Nairobi*

India sees upturn in savings rate

India's savings rate, a measure of the domestic resources available for investment, showed a significant and unexpected rise in 1994-95 to 24.4 per cent of gross domestic product from 20.2 per cent the preceding year. The government's revised data for 1994-95 also showed that GDP grew by 6.3 per cent, a slight improvement on initial estimates of 6.2 per cent.

The rise in the savings rate sharply reverses a decline since the beginning of India's economic reform programme which saw the rate slip from 23.1 per cent of GDP in 1991-92 to 20 per cent the following year. India's savings rate is still well behind its faster-growing Asian neighbours – the rate in China is 40 per cent. *Mark Nicholson, New Delhi*

$2bn gold find in Brazil

The government-controlled Brazilian mining giant Companhia Vale do Rio Doce has discovered gold deposits estimated at 150 tonnes in the northern state of Pará. The find adds around 20 per cent to Brazil's known gold deposits and 50 per cent to deposits owned by CVRD.

The site is expected to produce 15 tonnes of gold a year from 2000, mined at a depth of at least 500 metres. CVRD's annual production is about 17 tonnes; it had previously set a target of 31 tonnes a year by 2000. Total annual production in Brazil is about 75 tonnes.

The government hopes to privatise CVRD later this year. A consortium led by Merrill Lynch, the US investment bank, will manage the sale and is due to set a minimum price for the company by the middle of the year.

At today's prices, the gold in the new deposit is worth about $2bn. *Jonathan Wheatley, Sao Paulo*

CONTRACTS & TENDERS

British Gas braced for leadership shake-up

By William Lewis and Robert Corzine

Another boardroom shake-up is looming at British Gas, and it could result in the early retirement of Mr Cedric Brown, the company's embattled chief executive, and the departure of some of the longest-serving non-executive directors.

Mr Brown faces a battle to remain past the end of this year. Institutional investors warned Mr Richard Giordano, the non-executive chairman, last year that "we would have to see a rejuvenated Cedric pretty quickly or he would have to be replaced", a senior fund manager said.

Leading institutional shareholders say that Mr Giordano, whose three-year fixed term contract runs out at the end of this year, will be allowed to continue on a one-year rolling contract only if a successor to Mr Brown has been announced.

Mr Giordano, a Wall Street lawyer by training, has himself come under criticism for misreading the political environment in which the company operates. British Gas is struggling to adjust to the loss of its monopoly, which will be lifted completely in 1998.

Some executives are unhappy with the performance of three non-executive directors – including Lord Walker, a former Conservative energy secretary – and want them replaced.

Since October British Gas has cleared out three executive directors in the most extensive board shake-up since privatisation in 1986. Last month it appointed two new directors including a finance director. One non-executive director was appointed in December.

In spite of those changes the company's performance and image have failed to improve, and further reforms are now expected.

The move to replace three non-executive directors – Lord Walker plus Sir Stanley Kalms, chairman of Dixons; and Mr Roger Boissier, chairman of Pressac Holdings – follows the poor performance of some of the non-executives at the company's annual general meeting last year. Some executives also say that the three men now have little to contribute to a company whose circumstances have changed so radically over recent years.

Any attempt to unseat Lord Walker, who has been a non-executive director since 1990, could prove controversial. He oversaw the company's privatisation and is associated with the "old guard at British Gas".

He has publicly described proposals to break up the company as "lunacy". But executives believe that some assets will need to be spun off to ensure that the company's survival in a competitive market.

A restructuring that directly benefited shareholders could also take some of the pressure off Mr Giordano to maintain the company's dividend, say analysts. His three-year fixed-term contract runs out at the end of this year, and shareholders say that they will not agree to it being replaced by a one year rolling contract unless Mr Brown is replaced.

Lex, Page 24

Cuts at shipyard and in stores cost 3,000 jobs

Trade unions condemn shake-outs at Hanson and GEC offshoots

By Bernard Gray, David Wighton and Michael Skapinker

Nearly 3,000 British workers lost their jobs yesterday as Hanson announced the closure of 195 Powerhouse electrical retailing shops in the south and Midlands, and General Electric Company cut the workforce at its Yarrow warship yard in Scotland.

In a boost for the prosperous south-east of England, however, British Airways said it planned to recruit 1,000 extra staff at Gatwick airport, south of London, to handle flights to African and US destinations.

The job losses were condemned by union leaders, who claimed they could have been avoided.

At Yarrow, where 650 of 2,900 jobs will go, unions blamed a delay by the defence ministry in ordering a batch of three frigates for the Royal Navy. They said the company could start work on the ships immediately if the government placed an order.

"We are going to try to get the government to decide about the Type 23 order," said Mr Stuart Crawford, the union convenor at Yarrow. "We need those frigates, they are our bread and butter."

Yarrow is competing with Vosper Thornycroft of Southampton for the Type 23 contract. Mr Martin Jay, Vosper's chief executive, has warned that 500 jobs will go at the company if it fails to win the frigate work. Yarrow recently won an order for three offshore patrol vessels for Brunei, worth about £600m ($910m). Even so, employment at the yard is likely to fall further, possibly below 1,000 in the next two years.

A decision on where to place the order, which had been expected before Christmas last year, is now likely by the end of February.

Powerhouse said that the closure of more than half of its 320 shops would cost up to 2,300 jobs.

"This is a disaster day in the high street for loyal staff – many of which are low-paid women," said Mr Mike Jeram of Unison, the big union that represents mainly public sector workers. "They have given years of service to the public and are now being viciously discarded under another Hanson clearout."

The company said it had to take action to stem losses which were running at about £25m ($37.8m) a year.

Some store closures and staff losses had been expected after Hanson took control of the business in November. Powerhouse had been jointly owned by three regional electricity companies, Southern Electric, Midlands Electricity and Eastern Group, which was acquired by Hanson in September.

Most of the other regional electricity companies have abandoned a fiercely competitive market while the growth of out-of-town electrical superstores has brought the closure of hundreds of shops in towns. Thorn EMI pulled out of electrical retailing a year ago, closing 285 Rumbelows stores.

At Gatwick, British Airways said it was creating 700 cabin crew jobs, 200 ground positions and 70 pilots' posts. Before the expansion, BA employed just under 7,000 staff at Gatwick and in the surrounding area.

● British Airways said yesterday that police had arrested 33 of its staff in connection with the alleged theft of duty-free goods from the airline. All but one of those arrested worked in the catering services department.

UK NEWS DIGEST

BT seeks change to price structure

British Telecommunications is seeking the most radical changes in the rules governing its telephone charges since it was privatised more than a decade ago. Its proposals, covering charges for most business and residential phone services, would see a virtual end by 2002 of price regulation in the UK telecoms market. The system was set in place to protect customers and to encourage efficiencies at BT.

Together with the opening of the market to competition, the system is credited with having established phone costs in Britain which are, on average, among Europe's lowest.

BT's proposal is contained in a submission to the Office of Telecommunications (Oftel). Mr Don Cruickshank, Oftel's director-general, has been seeking the industry's views on the best way to control BT's prices after the present regulatory period ends in 1997. He is concerned that, despite competition in the market, it is still dominated by BT. He thinks the company is too profitable and that the cap on its prices should be tightened. *Alan Cane, Industrial Staff*

Lex, Page 24

N Ireland party leaders clash

Sinn Féin and Ulster Unionist leaders shared a common platform yesterday at the annual meeting of the World Economic Forum in Davos aimed at promoting inward industrial investment. But the two sides clashed starkly over Northern Ireland's future economic and financial relations with Britain and the Republic of Ireland.

Mr Mitchel McLaughlin, national chairman of Sinn Féin, said any settlement of the issue would have to be based on economic unity of the whole island, including a common currency. Mr David Trimble, leader of the pro-British Ulster Unionist party, retorted that the financial unity of the UK was crucial to the the future of Northern Ireland.

Both men were participating in a panel session at the annual meeting of the forum in Davos on whether the business community could have confidence in the peace process. They and the other three panel members, Sir Patrick Mayhew, Britain's Northern Ireland secretary; Mr John Hume, leader of the nationalist Social Democratic and Labour party; and Mr Ruairi Quinn, the republic's finance minister, agreed that the process could not be reversed. *Ian Rodger, Davos*

US dominates rental market

Jim Carrey, the US comedian, beat off Hollywood veterans such as Sylvester Stallone and Arnold Schwarzenegger, to dominate the UK video rental market last year. Carrey starred in three of the 20 most frequently rented videos including *The Mask*, which was the number one title, rented 3.78m times. *Ace Ventura: Pet Detective*, also starring Jim Carrey, was in 12th place and *Dumb And Dumber* came 13th. The second and third most rented titles were *Speed*, the action film starring Keanu Reeves, and the Oscar-winning *Forrest Gump*. Walt Disney's *The Lion King* was in first place among films for children and *The Fox And The Hound* in second. *Four Weddings And a Funeral* was the only non-Disney film in the top five. Quentin Tarantino's hyper-violent *Pulp Fiction* was the most popular US independent film in both sectors of the video market, taking fifth place in rental and eighth place in sales. *Alice Rawsthorn, London*

Computer workers see pay rise

Nearly half of the UK's freelance computer contractors expect their income to increase by 38 per cent on average this year as demand for their services continues to rise. The average gross income of contractors in the last financial year was £48,180 ($72,750), with a handful of specialist operators claiming earnings of more than £100,000 a year, according to Freelance Informer, a fortnightly magazine circulating among 22,000 self-employed computer workers.

Of the 42 per cent who expected their revenues to rise in the next financial year, the average expected increase was 38 per cent, although 5 per cent of respondents expected to double their incomes. *Richard Donkin, Employment Staff*

Commodities group cleared

City of London regulators have found no evidence of misconduct by the Winchester Commodities Group over transactions carried out with Codelco, the Chilean copper company, a High Court judge in London was told. An affidavit sent by the Securities and Futures Authority (SFA) to the company on Thursday stated there was no evidence Winchester had acted improperly in seven transactions performed in January 1994, lawyers for the company told the court.

John Mason, Law Courts Correspondent

Lloyd's weighs further delay to vote on recovery

By Ralph Atkins, Insurance Correspondent

The ruling council of Lloyd's of London will next week consider delaying again votes on its recovery plan, risking further damaging uncertainty about its future.

The latest rescheduling would follow last autumn's decision to put off until next month any poll of the insurance market's members. A consensus is emerging, however, that it makes sense to wait until much closer to the recovery plan's implementation in May. Lloyd's would then have a better chance of winning broad support.

Wednesday's council meeting will also debate what information on the recovery plans' costs can be sent to Names later this month, in an update promised by Mr David Rowland, Lloyd's chairman. Names are individuals whose assets have traditionally supported Lloyd's.

The ambitious recovery plan, launched last spring, consists of an offer worth £2.8bn ($4.2bn) to lossmaking and litigating Names. In addition to ending litigation, the offer would soften the cost of Equitas, a big reinsurance company which, Lloyd's intends, will take responsibility for billions of dollars of mainly US environment and asbestos-related liabilities.

Formal approval is needed from members who were underwriting in 1993 for a £450m levy they will pay to help fund the package. A March poll would have coincided with the expected closing date for 1993 accounts under Lloyd's system of reporting three years in arrears.

Lloyd's is unlikely, however, to win support for the levy unless Names have voted in favour of whole plan in a wider poll. This might prove difficult in March because work on Equitas is taking much longer than expected. Figures sent to Names this month could be seriously misleading.

Mr Rowland has been warned by senior figures at Lloyd's that a rush to a vote on the basis of poor information could backfire. Some senior Lloyd's figures still say, however, that it is important to give Names an early idea of Equitas bills for personal financial planning purposes.

COMPANY NEWS: UK

Flemings launches fund for Islamic investors

By Roger Taylor

Flemings, the international investment bank, is to launch the first equity investment fund with its own supervisory board of Fiqh scholars to ensure that all investments adhere to Sharia or Islamic law.

The new fund is a breakthrough for Islamic investors. In the past, Sharia scholars have regarded most equity investment as unacceptable. But religious opinions are changing, opening up a potentially vast new market for Western banks with expertise in equity investment. Flemings hopes to raise $50m-$100m (£32m-£65m) largely from Saudi Arabian institutional investors for the Oasis fund, which will be registered in Luxembourg.

Sharia boards, which advise on Islamic law, are a common feature of Islamic institutions and investment funds. Their disapproval of investment in debt and, in most cases, equities, has meant that most Islamic money is invested in leasing agreements and commodity transactions.

Mr Ossama Nassar, head of Flemings' Middle East operations, said: "Over the last four years there has been a change. More and more scholars have looked deep into the matter and most Sharia boards now accept equity investment, although some still do not".

Mr Nassar expects the market for Islamic equity funds now to grow rapidly. Estimates of the total pool of Islamic investment money range between $50bn and $100bn, with most concentrated in the Gulf, Malaysia, Pakistan and western Europe.

Previous efforts to tap this market have tended to founder on religious objections. Kleinwort Benson was one of the first companies to launch an Islamic equity investment fund in the 1980s. The response was poor, however, because of doubts about its Sharia credentials. Other institutions have also launched Islamic investment funds, in some cases with advice from Islamic scholars.

The Flemings fund is unique in that it is an equity investment fund, run by a western institution, but with a Sharia board of eminent Fiqh scholars – Sharia scholars specialising in law – who have the final say on what is acceptable. A number of similar funds are expected to be launched in the near future.

Among the more obvious areas in which the Flemings fund will not invest are banking and insurance; gambling and pornography; and anything to do with alcohol. However, the involvement of the Sharia board touches every aspect of the fund.

Mr Shane O'Riordain, communications director at Flemings, said: "We had long discussions with the board about what happens if the fund agrees a trade and then the other party fails to complete the bargain. It was clear what happened under Luxembourg law. But the board had to satisfy itself as to the position under Sharia law also."

Premier holders give support to Farnell offer

By William Lewis and Christopher Price

Shareholders in Premier Industrial Corporation, the US electronic components distributor, have come out in strong support of the £1.85bn takeover by Farnell Electronics of the UK.

They are anxious for the deal, which would create the third largest distributor in the world, to be approved by Farnell shareholders at an emergency meeting later this month.

"This is a great deal for Premier shareholders and a great deal for the family that part-own the company," said Mr Anthony Ginsberg, an analyst at Fourteen Research Group, a New York-based fund manager whose views are echoed by several other US funds.

However, US fund managers also expressed concern that their enthusiasm for the deal, which they see as generous, is not matched by their British counterparts in Farnell.

At least 10 per cent of Farnell shareholders said last week they would vote against the deal unless they could be dissuaded by the Farnell and Premier management. They are concerned over the dilution to earnings and the risks attached with a cross-Atlantic venture of this magnitude.

Advisers to Farnell believe that dissident shareholders are more likely to sell their shares in the UK company rather than remain as owners and vote against the deal.

Mr Morton Mandel, Premier's founder and chairman, is due in London tomorrow to bolster the Farnell management's final round of presentations to UK institutions. The Mandel family speaks for more than half of Premier's shares and has pledged to accept the offer.

"Of course we are concerned the deal will not go ahead," one US fund manager with Premier shares said. "This is a great price for Premier and a good deal for Farnell."

One US fund manager said he was examining whether it was possible to change the rule which stipulates that 75 per cent of Farnell shareholders who vote must approve the deal at the extraordinary meeting on February 15.

StanChart inquiries over bid rumours

By George Graham, Banking Correspondent

Inquiries have begun into the source of repeated takeover rumours surrounding Standard Chartered, the UK-based international bank, in an effort to determine whether its share price is being manipulated.

Both the Stock Exchange and the two banks involved have raised eyebrows at the persistence of the rumours, despite repeated denials from Standard Chartered, whose shares climbed 18½p to 649½p yesterday after another report of a possible bid from National Westminster Bank.

London investment bankers said yesterday that Standard's network of retail banks in the buoyant Asia-Pacific region, as well as in Africa and the Middle East, might have offered an attractive target for a bank with global ambitions a year ago, while its shares stood below 300p.

But at the current elevated share price, they said, it was hard to see how an acquirer could make sense of the deal.

Standard Chartered's market value stood at £6.3bn yesterday, and a rumoured takeover price of 800p a share would take its value to £7.75bn.

That would leave a bidder with roughly £6bn of goodwill to write off. If an acquisition were accomplished by merger, it would severely dilute the earnings of any of the banks suggested as candidates.

A takeover of Standard Chartered would be particularly difficult to justify for NatWest. Fresh from negotiating the sale of NatWest Bancorp, its US retail banking subsidiary, Lord Alexander, chairman, and Mr Derek Wanless, chief executive, are determined not to stray from their declared strategy for NatWest.

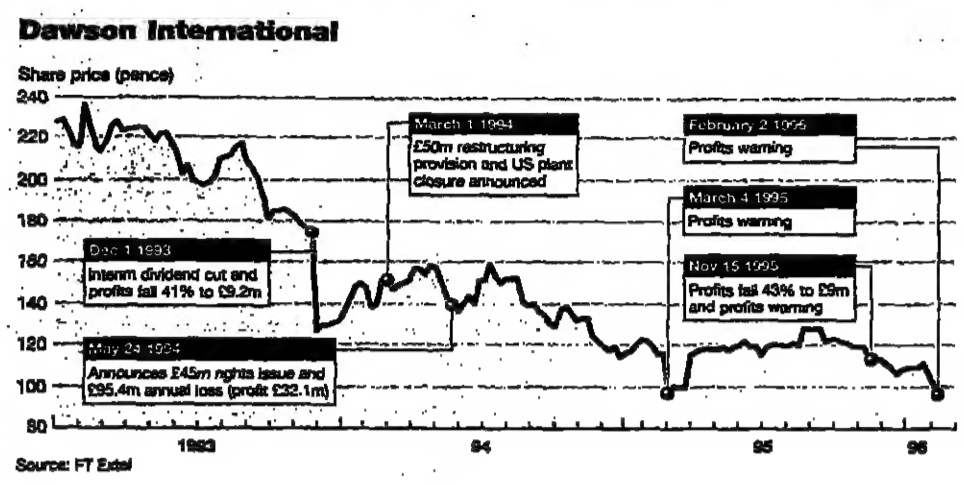
That means concentrating on developing retail financial services mostly in their domestic market, expanding their investment banking activities internationally, and building their private banking business through their Coutts offshoot.

NatWest has so far been linked with at least 22 possible acquisition targets since the announcement of the Bancorp sale, most of which have been greeted with laughter at its Lothbury headquarters.

Dawson shares fall on fresh warning

By Patrick Harverson

Derek Finlay: progress in improving core efficiency



Source: FT Extel

Dawson International, the struggling Edinburgh-based textiles group, yesterday warned that a further deterioration in already difficult trading conditions would leave full-year profits well short of forecasts.

The group, best known for its Pringle knitwear and clothing, also warned that gearing would be higher than expected at the end of its financial year in April because a planned £13m sale of five US factories had fallen through.

However, Mr Derek Finlay, chairman, said "substantial progress" was being made in improving the efficiency of Dawson's core businesses, including Pringle. As a result, the final dividend would be maintained at 1.5p.

After the announcement analysts downgraded their profits forecasts from about £14.5m to just £7m-£9m. A year ago the group reported losses of £95.4m following heavy restructuring provisions.

The profits warning prompted heavy selling of Dawson shares, which fell 14p to 97p.

Yesterday's announcement represents the latest in a series of setbacks that have blighted Dawson in the last two years. Amid difficult trading conditions in US and UK markets, it has been forced into a substantial restructuring, has sold or closed several lossmaking businesses, launched a £45m rights issue and shaken up senior management.

However, the measures have not improved performance; Dawson has issued three profits warnings in the past year alone.

Among its many problems, sales of fibres, yarns and apparel suffered late last year because of unseasonably warm weather in the UK, which restricted demand for autumn and winter wear. Sales were also hit by a rise in the cost of fibre, which pushed up the price of cold weather clothing. Additionally, overcapacity in the US retail clothing sector has forced retailers to limit their replenishment of winter season merchandise, hitting sales at JE Morgan, the US operation.

Another setback was the collapse of the US factories sale, blamed on a loss of confidence among backers of the original buyer, a consortium of investors led by a company called Elion International. Mr George Fairweather, financial director, said the backers pulled out after the trading environment worsened unexpectedly.

Mr Fairweather said the five fleece and jersey factories, which had initially been offered to buyers as a package, would now be put back on the market where they would be sold on an individual basis.

Dawson said the abandonment of the sale meant year end gearing would be higher than expected. Analysts originally forecast gearing of about 20 per cent, but it is now expected to be about 30 per cent.

Christies plays down speculation over takeover

By Peggy Hollinger

Christies International yesterday sought to damp persistent takeover rumours as its largest shareholder, Bahamas-based Mr Joseph Lewis, this week increased his stake in the art auction group to just under 29 per cent.

Christies' shares have risen from 190p to 208p over the last week as speculation has intensified.

Mr Lewis, who first took a stake in 1994, this week purchased 2.5 per cent of the company, bringing his holding to 28.7 per cent.

Mr Peter Blythe, finance director, said the group did not expect an approach from Mr Lewis following his assurance in August that he had no intention of bidding.

Kleinwort Benson to steer Bank of Scotland on Dunedin

by James Buxton

Kleinwort Benson, the merchant bank, is advising Bank of Scotland on the sale of Dunedin Fund Managers, the Edinburgh-based investment management company which was hit by staff defections and resignations in the autumn.

Kleinwort is narrowing the list of possible bidders and solutions for Dunedin. It is understood to have rejected a bid of about £70m and to be seeking offers in excess of £80m for the company, which manages funds of about £5.3bn.

The possibility of purchasing Bank of Scotland's 50.5 per cent stake has aroused intense interest among fund managers and institutions in Scotland, London and the US. Although the situation is described as fluid, a deal could be struck in the next fortnight.

While no fund manager has confirmed making an offer for Dunedin, there is speculation that the Edinburgh-based Ivory & Sime and Edinburgh Fund Managers are interested. Templeton Investment Management, the US fund manager whose European headquarters is in Edinburgh, is also believed to be interested.

Other possible purchasers include Robert Fleming, the London-based merchant bank, and Standard Life, the Edinburgh-based life assurance company. United Asset Management, the Boston-based group which owns fund managers in the US and the UK, is another possibility.

The sale of Dunedin will concern the three investment trusts it manages which own the remaining stock.

Bank of Scotland, which controls Dunedin through British Linen Bank, its merchant bank, had originally intended to find a new chief executive and chairman after the resignation in late October of Mr Hamish Leslie Melville and Mr Alan Kemp, the executive chairman and his deputy.

Their resignations followed the departure of four senior executives. Later it emerged that another six fund managers intended to leave.

Dunedin recently revealed that it had lost eight of the 29 US pension fund clients for whom it was managing $3bn (£1.9bn) before the crisis broke.

ML Laboratories' chief nets £4m from options

Mr Stuart Sim, finance director of ML Laboratories, the Liverpool-based pharmaceuticals group which last month launched an institutional placing, has made profits of more than £4m on the exercise of options, writes Motoko Rich.

Mr Sim yesterday exercised 1m options at 41p a share, which he then sold at 445p a share, making £4.04m. His stake in the company remains unchanged at 1,375 shares, held non-beneficially.

Also exercising options yesterday was Professor Don Davies, director of research and development. He exercised 750,000 options at 0.2p, held by Milner Laboratories, the principal shareholder. He then sold 500,000 at 445p, making a profit of £2.22m.

Sears to sell Saxone and Curtess chains

By Peggy Hollinger

Sears, the UK's largest specialist retailer, is expected on Monday to announce the sale of its Saxone and Curtess shoe chains to Mr Stephen Hinchliffe.

The company is not expected to disclose the sale price, which is likely to be minimal. Last year it sold 245 of its Freeman Hardy Willis stores to the Sheffield entrepreneur for an undisclosed sum.

One of the trickier aspects of the negotiations has been the potential liability arising from long leases on many of the shops. Sears is keen to avoid future problems should the liability ever revert.

Mr Hinchliffe, whose Facia group has purchased a series of lossmaking retail businesses, is prepared to buy about two thirds of the 95 Saxone and 80 Curtess stores.

High-speed return or road to nowhere?

Geoff Dyer examines the likelihood of the vehicle rental sector being re-rated

The rebound in Eurodollar's share price this year marks a growing view in the City that the vehicle rental sector is undervalued.

In November Eurodollar's shares had fallen to 68p, 31 per cent of their float price 18 months earlier, after it issued three profits warnings in six months. By yesterday they had recovered to 107p.

Despite strong profits growth across much of the industry over the last two years, analysts estimate that vehicle rental stocks are at a discount to the market of 25-30 per cent. "The market does not really understand how to value these companies," says Mr Charles Mathias, analyst at Credit Lyonnais Laing.

The reason for Eurodollar's most recent warning – the volatile prices of nearly new cars – has been responsible for some of the pessimism about the sector. Car rental companies, which sell cars after a few months, can see profits collapse when an oversupply of new cars causes a sharp fall in nearly new prices.

But Eurodollar's problems are not entirely typical. Goode Durrant insists that second-hand prices of vans, which make up the bulk of its fleet, are much more stable than those of cars. It claims never to have lost money on the residual value of its vans.

"We don't sell our vans for 2½ years so there is no nearly-new problem. But if it looks bad, we just extend the life of the vehicles for a couple of months," says Mr Alan Noble, chairman of Northgate, the group's rental business.

TLS, which has 1,200 cars in its fleet, claims it is not exposed to the nearly-new market because its cars are all on guaranteed buy-back deals at fixed prices. The cost of these buy-backs has been stable because of the good relationships it maintains with its suppliers, it says. "We have an unwritten agreement with them that if the supplier is not happy with the condition of a car when we return it, we will buy it back," says Mr Peter Roberts, chief executive.

However, analysts are sceptical, arguing that if nearly-new prices are under pressure, dealers are bound to increase the costs of buy-backs. The other persistent worry about the sector is the impact of the next downturn on what are very cyclical companies. But some analysts claim the companies are a lot smarter these days.

"There is no reason this time for profits to fall off a cliff," says Mr Alastair Gunn, analyst at Mees Pierson.

Most of the operators buy and sell vehicles every week rather than the once or twice a year that used to be the norm. They are therefore able to see a turn in demand more quickly and avoid getting caught with an over-sized fleet which would drain cash.

The sector would also be somewhat insulated from a downturn by a structural shift in the vehicle market towards rental, analysts say.

Large organisations are renting more to save cash and as a consequence of changes in accounting rules which require them to show vehicle purchases on their balance sheets. Arguably, this move towards outsourcing would increase in a recession.

For instance, local authorities have become prized clients, renting vehicles over 364-day periods which are continually rolled over.

If they rented for over a year it might count as capital expenditure and require central government approval.

Michael Williams: operating in a more crowded market

The fragmented nature of the industry – the vast majority of operations have less than 50 vehicles – is also favouring the larger companies. Increasingly they have national networks, broader ranges of vehicles and can get better purchasing terms.

Their size gives them greater flexibility to repond to demand, which increases their utilisation rates. Goode Durrant has utilisation rates of about 90 per cent, compared with an industry average of 60 per cent.

Nevertheless, investors still have some grounds to be wary of the sector. Margins in some sections are being depressed by intense competition. Hire rates have been flat in most areas in the last year, if not down.

In the heavy goods vehicle market, a number of manufacturers and distributors have begun renting. According to Mr Michael Williams, chief executive of Dawsongroup, which has 1,800 trucks: "There are certainly a lot more people in the market than there were a few years ago."

There is also some unease about the way companies treat rebates that manufacturers such as Ford offer on large purchases. Many take the rebates immediately as revenue at the time of purchase.

Some analysts believe that this practice could result in a sharp drop in profits if the rebates were reduced or if the market slowed.

TLS has changed its accounting policy so that rebates are credited over the period in which the vehicle is expected to be held. It says this leads to more a more stable earnings stream.

Mr Mathias argues that the sector is not as undervalued as the figures suggest. Vehicle rental companies have been paying low tax charges over the last few years because of heavy spending on new vehicles.

However, if you assume a normal tax charge, the earnings forecasts fall and the shares take on more normal multiples. He estimates the vehicle and truck rental companies to be at a more modest 15 per cent discount to the market.

The real proof will come if the economy slows. In the past the sector has been one of the first to feel the pinch. If the sector is to be rerated, investors will have to believe that it will show more resilience next time round.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Blagg	11 mths to Sept 30‡‡	2.44	(2.71)	0.278L	(0.025L)	0.871†	(0.08)	-	-	-	-	-
Cardiff Property	Yr to Sept 30 ★	1.18	(0.82)	0.253	(0.186)	8.8	(6.9)	1.9	Mar 29	1.75	2.75	2.55
Inoco §	Yr to Dec 31	22.6	(13)	4.01	(0.853)	1.94	(0.41)	nil	-	nil	nil	nil
Lofs ☆	9 mths to Dec 31	32.3♦	(24.8)	2.28	(6.01)	3	(6)	nil	-	0.25	-	1.5
Motor World	Yr to Oct 29	54.9	(45.9)	4.01♠	(4.47)	18.37	(22.12)	5.4	Apr 1	5.2	8.2	7.7
Sotheby's ☆		-		-		-		8	Mar 12	6	-	24

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Hotspur Investts	Yr to Dec 31	531.82	(441.52)	0.048	(0.041)	7.72	(6.63)	7.5	Mar 29	7.5	7.5	7.5
Malvern UK Index	Yr to Dec 31	161.28	(137.11)	2.4	(1.97)	4.95	(4.07)	2.9	Apr 26	2.4	4.9	4.1
Mithras	9 mths to Sept 30‡	63.8	(59)	1.11	(0.224)	2.78	(0.56)	1.5	-	1	2.5	1

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ‡‡Comparatives for 12 months to October 31. †On increased capital. ♠After exceptional charge. ★Comparatives restated. §USM stock. ☆US currency. ♦Total charter income. ‡Comparatives for 45 weeks.

NEWS DIGEST

Eldridge Pope wins Bass contract

Three days after announcing a novel plan to split its beer and retail activities, Eldridge Pope, the USM-traded pub operator and drinks group, has announced a substantial deal for its stand-alone Thomas Hardy Brewery.

Mr Christopher Pope, chairman, told some 700 shareholders at the AGM in Dorchester that the company has signed a supply agreement with Bass covering 80,000 barrels of production and bottling a year. The shares rose 24p to 233p.

Continuing in upbeat vein, he added: "The Brewery has never been busier in its history. We expect to dispatch 50m bottles this year throughout Europe and North America."

The expanding retail side was benefiting from a sizeable investment programme, while volumes from the tenanted estate were up 4 per cent since October.

● Sir Paul Nicholson, chairman of Sunderland-based Vaux, had mixed tidings for shareholders. The Swallow Hotels chain boasted increased occupancy with revenue per room up 12.5 per cent so far in the current year. Performance of the St Andrews care homes, however, was "disappointing", reflecting shortage of local authorities funding.

The pubs side began poorly but enjoyed improved trade over Christmas with less seasonal fall off in January than in 1995. Volumes were slightly ahead and contract sales well up, Sir Paul added. The group has transferred a further 11 pubs to the managed estate which was displaying strong growth in food sales; up 27 per cent, or 14 per cent on a like-for-like basis.

Graham Deller

SCS warns of higher loss

Shares in Satellite Communications Systems fell 8 per cent yesterday after the company, which provides radio and video broadcasts to large retail stores, warned that the 1995 trading loss would be higher than expected.

SCS, which floated on the Aim in September at 125p a share, blamed the shortfall on installation delays, which had prevented the group from generating significant advertising revenues last year.

The prospectus had forecast sales in 1995 of £2.13m and a loss of £928,000. The shares lost 8p to 98p yesterday.

Revenues in 1996 would also be significantly lower than the prospectus forecast, the group said, but it expected to be profitable by the end of the year and to have positive cash flow in 1996.

The company's revenues come from supplying receiving equipment to retailers, providing programming and selling air time to advertisers.

Geoff Dyer

Kewill buys Process Computing

Kewill Systems has acquired Process Computing, a High Wycombe-based provider of warehouse management systems, for a maximum £3.1m.

An initial £1.55m will be settled via £782,000 cash from existing resources; £648,000 loan notes; and £120,000 via the issue of 32,521 ordinary shares.

Additional consideration, of up to £1.63m, would be payable if Process profits reach £490,000 in the period to March 31 1998. Indebtedness as at May 31 consisted of a £400,000 bank mortgage. Net assets were £840,000.

Cardiff Property rises 36%

Cardiff Property lifted full-year pre-tax profits 36 per cent from 185,769 to £252,968. Turnover in the year to September 30 rose 44 per cent to £1.18m, although gross rental income slipped from £734,018 to £724,788.

Mr Richard Wollenberg, chairman, said the decision to increase weighting towards prime Thames Valley residential development activities had proved appropriate. The sales prices of residential units were ahead of budget.

An independent valuation of the company's properties indicated that during the year the portfolio had declined by about 7 per cent. However, Cardiff's profitability and the purchase of 284,000 of its own shares had resulted in a similar net asset value of 242p (243p).

In Brief

■ BIRSE GROUP yesterday proposed cancelling its share premium account to enable directors to consider the payment of future dividends. The proposal is subject to shareholder approval at an EGM on February 26 and thereafter the sanction of the court. The contracting and plant hire company last paid a dividend in 1992.

■ CARPETRIGHT has exchanged contracts for the purchase of the freehold of a retail development at Merthyr Tydfil from Burwood House Group for £1.92m in cash.

■ KINGSPAN GROUP, the County Cavan, Ireland-based insulation maker, has consolidated its position in the Benelux market with the acquisition of remaining 50 per cent of Kingspan Nederland for I£2.6m (£2.7m). Group has also acquired Escon, of Belgium, for I£350,000 (£363,000). Both purchases have been financed from group resources.

■ STAGECOACH HOLDINGS has acquired local management's 10 per cent minority interest in its New Zealand subsidiary, New Zealand Bus. Consideration will be met in full by issue of 450,000 new Stagecoach ordinary shares.

■ VERITY GROUP has agreed to acquire, through subsidiary Quad Electroacoustics, the business and certain assets of Handystyle, a manufacturer of hi-fi systems and products, for a maximum of £1.24m.

NEWS DIGEST

Bayer and Hüls to merge latex arms

Bayer and Hüls, two of Germany's leading chemicals companies, yesterday said that because of "unsatisfactory profits" they would merge their latex operations into a joint venture which would have sales of about DM700m ($469m).

The companies have signed a declaration of intent and will clarify further details before commencing operations on July 1. Hüls, the chemicals division of the Veba industrial group, has latex sales of about DM400m while Bayer activities are slightly smaller at about DM300m.

Bayer said both companies fitted together well because they produced mostly different products and operated largely in different countries worldwide. The new venture's main competitors are Dow Chemical of the US, BASF of Germany, and Rhône-Poulenc, the French chemicals group.

Michael Lindemann, Bonn

Cap Gemini Sogeti downgraded

Standard & Poor's, the US rating agency, yesterday downgraded Cap Gemini Sogeti's long-term rating from BBB to BBB-, one notch above investment grade. The company said it was concerned about the French computing group's trading outlook and the implications of its merger with Sogeti, its parent. CGS' shares fell FFr3.20 to close at FFr147.30.

S&P said it was concerned by an abrupt fall in Gemini Consulting's US revenues last year and cast doubt on its ability to raise margins in that market. Gemini Consulting, the information technology service subsidiary owned 34 per cent by Cap Gemini Sogeti and 66 per cent by Sogeti, will be fully consolidated after the merger. It will provide about 20 per cent of group revenues.

The rating agency warned CGS would remain strongly leveraged in coming years. Gemini Consulting would bring FFr700m ($137m) of additional debt to CGS. The financing needs of the outsourcing business would limit cash-flow and net debt reduction. *Paul Abrahams, Paris*

Japan licence for Peregrine

Japan's finance ministry yesterday issued a securities licence to the Tokyo branch of Peregrine Brokerage, the Hong-Kong based investment concern. The company has initial capital of HK$40m (US$5.17m) and is a member of the group led by Peregrine Investments Holdings of Hong Kong. The opening brings the number of branches of foreign securities brokers in Japan to 67, operated by 51 companies. *Gerard Baker, Tokyo*

Cortecs share price probe

The Australian Stock Exchange yesterday queried recent sharp price movements in the shares of Cortecs International, the high-flying pharmaceuticals group which is also traded in London and New York. However, Cortecs, which keeps a registered office in Perth although the main corporate office is in the UK, said it was not aware of any specific information which could explain the price fluctuations. It simply noted that a number of public announcements had been made recently, relating to products under development.

The ASX's concerns focused on the surge in Cortecs' share price from A$5.20 on Thursday January 25 to A$6.20 on the following Monday, just two business days later. It also noted that by the following Thursday, February 1, the shares were back down to A$4.30.

Despite its surging share price, the company has not moved into profit, however. In the year to end-June, it posted an after-tax loss of A$4.2m. The accumulated deficit on the profit and loss account at that date was A$76.2m. *Nikki Tait, Sydney*

Consortium abandons Canadian satellite TV plan

By Bernard Simon in Toronto

A US-Canadian consortium has dropped plans for a direct-to-home satellite television service in Canada, on the grounds it is unable to compete with cable TV.

Power DirecTV, jointly owned by Montreal-based Power Corporation and Hughes Electronics, a General Motors subsidiary, blamed its decision partly on conditions laid down by the Canadian Radio-television and Telecommunications Commission (CRTC), which regulates broadcast services.

It also expressed concern at the growth of the unregulated "*grey market*", which is based on pizza-sized satellite dishes bought by Canadians in the US and used to pick up services beamed to the US. Hughes Electronics' DirecTV is a leading satellite-TV provider in the US.

Power DirecTV's withdrawal leaves Expressvu, a venture led by BCE, the Montreal-based telecommunications conglomerate, as the only company licensed to provide direct-to-home satellite services in Canada. However, Expressvu's launch has been delayed several times by technical and other difficulties.

Canada has the world's highest cable-TV penetration, with about 90 per cent of homes wired to receive service.

An official at the Canadian Cable Television Association said that cable-TV operators continue to view satellite TV as a threat, but they were more concerned about direct competition from local telephone companies.

Power DirecTV said its decision was influenced by CRTC requirements that direct-to-home providers, among other things, pay higher transmission fees and contribute more to Canadian programme production than cable operators.

It estimated that the CRTC conditions would cost about C$250m (US$182m) over 10 years.

Mattel calls off Hasbro merger proposal

By Christopher Parkes in Los Angeles

Hasbro shares tumbled yesterday when Mattel, the world's leading toy maker, withdrew its merger proposal complaining of the "intolerable climate" created by its target's "scorched earth" defence.

As the smoke cleared, observers were at odds over whether the maker of Barbie and Fisher-Price toys was in full flight or staging a tactical retreat before returning later.

By mid-morning stocks in Hasbro, maker of the GI Joe doll and Monopoly board games, had lost most of the gains made in the wake of last week's informal offer of 1.67 Mattel shares for each Hasbro share. Hasbro shares had fallen $7 to $33¾, while Mattel's added $1 to $33⅛.

Mr John Amerman, chairman of Mattel, yesterday wrote to his Hasbro counterpart, Mr Alan Hassenfeld, accusing him of depriving his shareholders of an "excellent opportunity" to share a $2.2bn premium on their holdings.

Despite this and "outstanding" prospects for the merged group, Mr Amerman wrote, Mr Hassenfeld "elected to take drastic steps, both politically and through the media".

Although Mattel consistently presented its informal offer as a friendly approach, Hasbro *responded with full-scale* defensive broadsides. Mr Hassenfeld, a member of Hasbro's founding family, enlisted allies in Hollywood, state legislatures and cartel authorities, and published reams of data supporting claims that anti-trust considerations would doom any merger.

The vigour and depth of Hasbro's defences caught Mattel off guard, and in a rare concession to Mr Hassenfeld's arguments, Mr Amerman accepted in his letter yesterday that a protracted struggle could damage relationships with customers, *partners and employees*.

The tussle had reportedly unsettled buyers at start of the toy trade show season. Hasbro's revelation of a previously unreported anti-trust investigation of the toy retailing trade had added to the uncertainty.

Welcoming the withdrawal of Mattel's offer, Mr Hassenfeld yesterday stressed that the approach had been rejected by unanimous board decision.

His attitude had been criticised by Mr Michael Price, one of New York's most influential investors. Mr Price, head of Mutual Shares Corp, said the Hasbro chairman, holding 9 per cent of the company's shares, was stopping those holding the balance, including Mutual, from "having a pay-day".

"It is the most outrageous action on the part of a CEO that I have ever seen," he said on Thursday.

Lex, Page 24

High prices fuel rise at Repola and Kymmene

By Christopher Brown-Humes in Stockholm

Repola and Kymmene, the Finnish companies merging to form Europe's biggest pulp and *paper group, took advantage of* a surge in pulp and prices last year to report a combined preliminary pre-tax profit of FM6bn ($1.31bn), almost double the FM3.1bn achieved a year earlier.

But their figures in the final four months were below levels earlier in the year due to a sudden reversal of the two-year upturn in the forestry cycle *and extensive production cuts.*

The companies also unexpectedly disclosed unrealised currency losses on foreign loans and other unspecified one-off costs totalling FM350m.

Repola's profit at FM3.7bn was slightly below expectations, but much higher than the FM2.0bn achieved a year earlier. However, Kymmene's FM2.3bn profit was well below market forecasts, partly because it bore the brunt of the production cutbacks, which centred on pulp and fine paper. Its profit in the final four months was about FM300m, *well below the FM555m* achieved in the same 1994 period.

The two groups said their buoyant full-year figures mainly reflected higher volumes and prices *for newsprint* and magazine papers. Newsprint prices were on average 38 per cent higher in D-Mark terms in 1995 than in 1994, while prices for uncoated and coated magazine paper were more than 20 per cent higher.

However, they acknowledged market conditions had been unsettled in the final four *months of last year – particularly for pulp and fine paper*, where there were significant inventory build-ups. To try to redress the balance, Kymmene cut fine paper output to 70 per cent of capacity. This is equivalent *to a loss of 100,000 to* 150,000 tonnes of production.

Further production cuts have been implemented this year, both for fine paper and coated magazine paper. Newsprint is one of the few grades to show continued strength, the groups said.

However, Repola and Kymmene believe their prospects will improve in the spring. "*According to present estimates*, capacity utilisation rates will return to normal after the first three months of this year," they stated.

Even so, analysts are cautious about the outlook for 1996. "We are past the peak of the cycle in terms of profits and prices," said Mr Jukka Huuskonen, senior investment analyst at Arctos Securities in Helsinki.

The two groups, which will formally merge on May 1, said they would give a more detailed statement of their 1995 performance on February 29.

LVMH acquires controlling stake in Loewe

By Paul Abrahams in Paris and Tom Burns in Madrid

LVMH, the French luxury goods group, yesterday gained full control of Loewe, the Spanish leather, fashion and cosmetics company.

The company, which already owned 23 per cent of Loewe, paid about FFr750m ($146.4m) for a 70 per cent stake held by Fashion Holding, a Switzerland-based group 63 per cent owned by Mr Gianlucca Spinola, and exercised an option for a further 7 per cent.

The deal valued Loewe at about FFr1.07bn, or 1½ times sales for the year to the end of July. Turnover during that period was FFr690m, up 20 per cent on 1994.

LVMH did not give details of Loewe's 1995 earnings figures, but in the previous year they were about FFr32m.

The move protects LVMH's 90 per cent stake in Loewe International, Loewe's distributor outside Spain. The subsidiary's sales last year increased 15 per cent to FFr363m, representing more than 50 per cent of Loewe's turnover.

Analysts said LVMH had been concerned that another group could acquire Loewe, damaging Loewe International's fast-growing business. Loewe held 10 per cent of Loewe International, so that LVMH now owns 100 per cent of the subsidiary.

Mr Loïc Morvan, luxury goods analyst at James Capel in Paris, said: "The strategy makes sense, because it protects LVMH's investment in Loewe International. The multiples may look expensive, but the deal shouldn't dilute earnings. And besides, the group has more than enough cash-flow to finance the deal."

He expected LVMH to generate about FFr2bn of free cash-flow this year. The shares rose FFr13 to close at FFr1,114.

LVMH said it would keep the Loewe marque which is particularly strong in Spain, Japan and eastern Asia. The French group hoped to generate synergies with its own Louis-Vuitton brand. Loewe employs about 1,600 people and has 18 shops in Spain.

Arthur Andersen, the accountancy firm, conducted Loewe's valuation.

Earlier this week, LVMH reported disappointing sales growth, up only 6.4 per cent from FFr27.9bn to FFr29.7bn.

The company said this year's turnover would be boosted by the acquisitions of Loewe and Céline. It also promised to launch new products under the Guerlain, Givenchy and Kanzo marques.

This would ensure this year's earnings would rise, it said. James Capel, the UK broker, predicts 1995 earnings will increase 15.8 per cent to FFr4.2bn, and 16 per cent this year.

Aiming for greater global reach

Andrew Baxter looks at the aspirations of Jungheinrich's new chief

The new chairman of Jungheinrich, the world's second-biggest producer of lift trucks and warehousing equipment, is picking up the pieces after an ill-fated move into industrial cleaning equipment that was masterminded by his predecessor.

After a difficult half-year for the Hamburg-based company, Mr Hans-Peter Schmohl wants to give Jungheinrich a more global reach in lift trucks, reducing its dependence on a European market which *accounts for about 90 per cent* of its sales.

In December, Jungheinrich said second-half earnings were under pressure because of a weakening in domestic demand *for lift trucks – a sign of Germany's* flagging economy. It warned that its strong first-half performance – earnings rose 57 per cent to DM20.4m ($13.7m) – would not be *matched* in the second *half*, and the result for the year would be "unsatisfactory".

A few days later, the company startled its investors by announcing that its chairman, Mr Eckart Kottkamp, would be leaving at the end of the year after 13 years on the board and seven in the top job. Mr Schmohl, formerly deputy chairman and technical director, took over on *January 1*.

Despite hopes for better earnings this year, Jungheinrich's publicly-traded non-voting preference shares hit a low for the year of DM204 just after *Christmas, down 43 per cent* from a high of DM360 in February. The company's voting shares are all held by the Wolf and Lange families.

Officially, Mr Kottkamp's departure was said to be "purely for personal reasons". But local press reports immediately suggested he was carrying the can for the problems created by the purchase in January *1994 of a 75 per cent stake* in Bellenberg-based Wap Reinigungssysteme, one of Europe's biggest producers of high-pressure cleaning equipment.

Hans-Peter Schmohl: has different priorities to his predecessor

To observers, Mr Kottkamp's fortunes seemed to contrast sharply with those of Mr Schmohl, 51, who was the driving force behind the successful acquisitions *from receivership of the UK's* Lancer Boss – now called Boss Group – and its sister company Steinbock Boss, based near Munich.

In his first interview since taking over, Mr Schmohl praised his predecessor's contribution to Jungheinrich's development, but noted that they each had different priorities. "His heart was striking *out for the cleaning equipment* company, mine was beating for Steinbock and Boss."

Mr Kottkamp's idea was to give Jungheinrich protection against the ups and downs of *the lift truck market* by diversifying, much as its larger German rival Linde has, into industrial gases and other interests.

"Wap seemed to have an *excellent chance for growth*, and he believed we could acquire other cleaning equipment companies," said Mr Schmohl. Further acquisitions would have made the business big enough *to be an effective* counterbalance to lift trucks.

But Wap got squeezed in a price war with two bigger competitors, organisational difficulties were uncovered, and it plunged into the red. It is still losing money, says Mr Schmohl, although he will not say how much.

Jungheinrich has extensively restructured Wap, cutting 150 of the original 800 jobs. The lift truck company bought the remaining 25 per cent of Wap in September and a new managing director took over on January 1.

Mr Schmohl said the worst was over at Wap, and he thought it could break even in 1997. *After the investments made by* Jungheinrich, it would make no sense to sell it now, he said. But even after it returns to the black, the business would need to be bigger if it is to be *retained*.

Mr Schmohl said both Mr Kottkamp and the main shareholders were disappointed by Wap's losses. On the merits of the diversification, Mr Schmohl would say only that "the guys from McKinsey have told me that 70 per cent of these diversifications are not successful".

In any case he believes the top priority is to ensure Jungheinrich can become more global in its core business.

This explains why Mr Schmohl is attaching so much importance to Boss, which is to build a new range of Jungheinrich-badged engined lift trucks in the UK. Jungheinrich, which makes electric trucks, needed its own range of engined trucks if it was to broaden *its sales base* beyond Europe, said Mr Schmohl.

Over the next two years Jungheinrich would also consider acquisitions, joint ventures, or other deals outside Europe. "For safety, it is important to have more exports from Europe," he said. But the company was still middle-sized, so it would adopt a step-by-step approach.

COMPANY NEWS: UK

Blagg in £30m reverse takeover

By Christopher Price

Blagg yesterday announced a reverse takeover which would turn the lossmaking Midlands builders' merchants into a freephone telephone informa*tion group, in a deal worth* £30m.

The move, which was signalled in September, involves the delisting of the company's shares from a full quotation *and their admission* to the Alternative Investment Market as Freepages Group.

Blagg's shares were suspended yesterday at 17½p.

Freepages is a private company which provides a freephone classified information service. It incurred pre-tax losses of £1.9m on sales of £1.64m in the year to September 30.

However, under the company's accounting policies, all the hefty start-up costs, including selling, advertising and development, are charged to *the profit and loss account*.

In addition, revenues from contracts are accrued on a monthly basis.

Mr Nigel Robertson, chief executive of the new group, said a large uptake *of contracts* would feed through as profits in the current financial year.

Tony Andrews

On call: Robert Bonnier (left), finance director, Ronald Zimet, chairman, and Nigel Robertsonl

He expected the company to achieve break-even during the year.

Blagg will fund the deal through the issue of 250m shares to the owners of Freepages. A further 83.3m shares are being issued through a placing and open offer at 12p a share to raise £10m.

Freepages' market valuation will be £44m after its listing. The board will control about 55 per cent of the shares.

Blagg said the builders' merchants business showed no signs of providing adequate returns for shareholders. It is being sold for £100,000.

In the 11 months to September 30, the group suffered pre-tax losses of £278,000 compared with £25,000 for the year to October 31 1994.

Turnover fell from £2.71m to £2.44m. Directors said they believe the financial viability of the group was dependent on the Freepages deal.

Mr Robertson, who set up Freepages two years ago, said the company had intended to seek a full listing but had been attracted by the Blagg deal because of the latter's strong corporate links.

Capital & Regional buys shopping centre

By Simon London, Property Correspondent

Capital & Regional Properties is paying £33m for Wood Green Shopping City, the north London shopping centre.

The deal marks the property investment company's largest single-property acquisition to date. About 65 per cent of its portfolio is now invested in the *retail* sector.

Wood Green Shopping City was developed in the late 1970s and is one of north London's largest shopping centres. More than 1m people live within a 15 minute drive.

Tenants include Boots, Argos, C&A and WH Smith, although just under 10 per cent of the 460,000 sq ft centre is currently vacant. The centre produces annual rental income of £3.2m, suggesting an initial yield at the acquisition price of about 10 per cent.

Mr Martin Barber, chairman, said the company would concentrate on improving security for shoppers and use marketing campaigns to improve the centre's image.

He said the acquisition was being funded out of cash resources and bank facilities. The company has arranged a new £25.5m secured facility with Hongkong and Shanghai Banking Corporation.

The centre is being sold by Electricity Supply Nominees, which manages the electricity industry pension scheme. ESN *refurbished the main mall* areas of the centre in 1990 and created additional retail units.

Capital & Regional has rapidly increased its exposure to the retail sector during the last three years, buying centres in Aberdeen, Newcastle and Peckham in south London.

Motor World hit by £1.1m exceptional

Exceptional costs of £1.11m relating to the acquisition of Charlie Browns left Motor World, the car parts retailer, with pre-tax profits down 10 per cent last year, writes **Jean Marshall**.

The drop, from £4.47m to £4.01m, was greater than indicated in a profits warning last September and the shares fell 10p to 265p. Mr Darrell Ker*shaw, managing director, said* sales in October had fallen by 7 per cent.

Charlie Browns, a chain of car repair centres and parts shops, contributed £4.9m to turnover of £54.9m (£45.9m) in the year to October 29.

The acquisition was expected to make a good contribution to profits in the current year.

Mr Gerald McLeod, chairman, said that following a lack of organic growth in retail operations in the first half, there had been a decline in demand in the second half from the DIY motorist. Accordingly, there was a small reduction in like-for-like sales during the year.

The addition of Charlie Browns meant the group ended the year with 329 outlets, with those trading as Motor World rising from 12 to 252. Two further stores were opened in the *Irish Republic*, taking the number there to 10.

Although the distribution and packaging division increased sales, competitive pressures and a change in sales mix resulted *in a decline* in gross profit margins.

Gearing at the year end had risen from 17 per cent to 21 per cent.

An improved final dividend of 5.4p is proposed for a total of 8.2p (7.7p). Earnings per share slipped to 18.37p (22.12p).

Deutsche Telekom selling group enlarged

By Michael Lindemann in Bonn

Deutsche Telekom, the telecoms operator which is to be privatised later this year as part of Germany's largest-ever share offering, yesterday said it had significantly increased the number of banks managing the share issue in Germany.

The company said it had decided to treble the size of the *consortium from 12 to 36 in* order "to address the public on matters relevant to the emission" and said it would announce a similar expansion of the other consortia handling the issue in the US, the UK, Europe and Asia later this year.

The company said other banks could still apply to become members of the so-called selling group if they could prove they had a sufficient number of clients interested in buying Deutsche Telekom shares.

The share issue, which is expected to raise about DM15bn ($10.04bn), is being closely monitored by the Ger*man government which hopes* that a successful offering of Deutsche Telekom shares will make equity investments more attractive to German investors.

Preparations for the stock exchange listing – which is to take place in New York and Frankfurt and possibly several other *bourses – begin in* March. A book-building process will take place during the summer and the shares will be listed in November.

The issue is being managed globally by Deutsche Bank and Dresdner Bank, Germany's two biggest banks, and by Goldman Sachs, the US investment house.

The junior co-lead managers for the German consortium will be: Baden-Württembergische Bank, BHF-Bank, CS-First Boston, Goldman Sachs, M. M. Warburg and Sal. Oppenheim.

Co-managers will be: Bankhaus Hermann Lampe, Bankhaus Max Flessa, Berenberg Bank, *BfG Bank, Delbrück &* Co, Deutsche Girozentrale, Hamburgische Landesbank, Georg Hauck & Sohn, IKB Deutsche Industriebank, Landesbank Rheinland-Pfalz, Landesbank Saar, Landesbank Sachsen, Landesbank Schleswig-Holstein, Landesgirokasse Stuttgart, B. Metzler Sohn & Co, Schmidt Bank, Schröder, Münchmeyer, Hengst & Co and Trinkhaus & Burkhardt.

The lead managers and co-managers of the consortia actually underwrite the issue and pay Deutsche Telekom in advance for a number of shares. The selling group simply sells the shares without making any prior payment.

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Gold price touches 6-year high

The gold price touched a fresh six-year high in London yesterday and, though it was trimmed back later, remained poised to test still higher levels, traders said.

The peak of $417.50 a troy ounce was reached in the morning at the London bullion market. By the close it was down to $415.40 but that was still up $9.80 on the week and $28.35 on the year so far.

Yesterday's early surge was prompted by an overnight wave of speculative buying in Tokyo, where investors had taken over the baton from the US investment funds who were instrumental in driving the price up by $5 on Thursday.

New York traders initially accepted Tokyo's challenge, moving the prompt February position at the Commodity Exchange (Comex) up $6.7 to $417.50 an ounce. But the rise was quickly capped by profit-taking.

"The professional aspect of the buying is very evident," one London-based analyst told the Reuters news agency. But others remained confident that gold's uptrend still had some distance to go. They had been encouraged by the fact that the higher prices had attracted little producer selling and by news that Canadian producer Barrick Gold was reducing its hedged position (forward sales) by 100 tonnes. Barrick has been one of the leading exponents of the producer hedging that last year acted as a brake on any attempts to lift the gold market out of its then $370-$395-an-ounce range. Traders suggested other producers might follow the Canadian company's lead.

However, one analyst told Reuters yesterday that the spot price would have to get over $420 an ounce before significant tranches of new investment were attracted. "That would be needed before the long-lost private investor came back in," he said.

Other precious metal followed gold's lead, notably silver, which closed in London yesterday up 7 cents at $5.80½ an ounce, 26 cents higher on the week, having reached an 8½-month high during the day. Platinum fixed at the highest level since last September before slipping back. Being industrial metals both silver and platinum were helped by news of interest rate cuts in the US and several European countries, which tended to raise hopes of more robust economic growth. This factor was also slightly bullish for gold as lower rates reduce the cost of holding this negative-yield asset.

At the London Metal Exchange lead was the star performer, reaching 5¼-year highs before ending the week $52 up at $766.50 a tonne in the three months delivery position. The main encouragement for the market was the continuing slide in LME warehouse stocks of the metal, which were already at the lowest level for more than four years. A fall of 3,225 tonnes announced on Tuesday was followed by another of 725 tonnes yesterday, leaving the total at 109,950 tonnes. Analyst suggested that further falls were likely to take lead stocks to critical levels in the next few months.

US speculators turned against the coffee market in the second half of the week, having helped to drive it to 2½-month highs in the first half.

The late fall was seen as chiefly technical, as was the earlier rise, though there was still concern about forecasts that further extreme cold would hit the Mexican crop.

The London Commodity Exchange May futures position closed yesterday at $1,894 a tonne, up $73 overall but $136 off Wednesday's high.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+3,975	to 650,600
Aluminium alloy	+600	to 67,220
Copper	+200	to 353,700
Lead	-725	to 109,950
Nickel	-240	to 40,470
Zinc	-2,750	to 647,850
Tin	-330	to 11,190

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1995/96 High	1995/96 Low
Gold per troy oz.	$415.40	+9.8	$375.90	$415.40	$373
Silver per troy oz	383.90p	-14.4	300.65p	375.50p	267.90p
Aluminium 99.7% (cash)	$1578.5	+47.0	$2084.5	$2149.5	$1529.5
Copper Grade A (cash)	$2577.0	+77.5	$2884.0	$3218.0	$2499.5
Lead (cash)	$768.5	+47.5	$617.0	$766.0	$538.5
Nickel (cash)	$8550.0	+485.0	$9535.0	$10160	$6947.5
Zinc SHG (cash)	$1058.0	+39.5	$1108.0	$1208.5	$958.5
Tin (cash)	$6225.0	-20.0	$5605.0	$7175.0	$5095.0
Cocoa Futures Mar	$918	-9	$1007.0	$1050	$830
Coffee Futures Jan	$2080	+95	$2646.0	$3297	$1803
Sugar (LDP Raw)	$324.10	+7.8	$353.3	$378.1	$289.2
Barley Futures Mar	$114.35		$104.00	$120.0	$102.0
Wheat Futures Mar	$123.35	-0.15	$110.20	$129.0	$111.0
Cotton Outlook A Index	87.05	-0.60	99.75	118.30	85.05
Wool (64s Super)	448p	-4	500p	532p	420p
Oil (Brent Blend)	$16.75w	+0.29	$17.16	$19.01	$15.05

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. w Mar.

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1578-9	1600-1
Previous	1595-6	1606-7
High/low	1581/1580	1615/1598
AM Official	1580-1	1598-9
Kerb close		1607-8
Open int.	222,265	
Total daily turnover	60,104	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1340-50	1375-85
Previous	1355-65	1390-5
High/low		1400/1380
AM Official	1340-5	1380-1
Kerb close		1380-5
Open int.	4,901	
Total daily turnover	1,504	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	768-9	766-7
Previous	777.5-8.5	771-2
High/low	773	780/760
AM Official	772-3	769-70
Kerb close		765-6
Open int.	36,610	
Total daily turnover	20,143	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8545-55	8660-5
Previous	8620-30	8710-20
High/low	8620	8850/8620
AM Official	8620-5	8725-30
Kerb close		8610-20
Open int.	41,749	
Total daily turnover	17,530	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6220-30	6255-60
Previous	6250-60	6290-95
High/low	6240/6200	6330/6230
AM Official	6225-35	6260-5
Kerb close		6230-40
Open int.	15,408	
Total daily turnover	4,461	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1057.5-8.5	1076-7
Previous	1087.5-8.5	1084.5-5.0
High/low	1063/1062	1088/1075
AM Official	1061.5-2.0	1077.5-8.5
Kerb close		1083-4
Open int.	78,405	
Total daily turnover	22,515	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2576-8	2526-7
Previous	2589-91	2534-4.5
High/low	2580	2541/2526
AM Official	2579-81	2532-3
Kerb close		2527-9
Open int.	179,351	
Total daily turnover	49,444	

■ LME AM Official £/$ rate: 1.5305
LME Closing £/$ rate: 1.5187

Spot: 1.5191 3 mths: 1.5160 6 mths: 1.5134 9 mths: 1.5099

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	117.80	-0.80	118.40	117.30	575	2,325
Mar	117.40	-	117.80	116.35	12,533	23,246
Apr	116.10	-	116.00	116.00	3	1,072
May	114.80	+0.35	115.15	114.10	1,889	8,778
Jun	113.55	+0.45	112.70	112.70	10	712
Jul	112.50	+0.65	112.70	111.50	789	3,052
Total					16,019	47,917

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	415.20-415.60		
Opening	417.50-418.00		
Morning fix	416.25	273.983	506.576
Afternoon fix	414.50	273.067	506.312
Day's High	417.80-418.30		
Day's Low	414.00-414.50		
Previous close	410.30-410.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....3.24 6 months 2.84
2 months ....3.16 12 months 2.28
3 months 3.02

Silver Fix	p/troy oz.	US cts equiv.
Spot	383.90	582.75
3 months	388.00	589.25
6 months	393.85	595.25
1 year	404.10	607.35

Gold Coins	$ price	£ equiv.
Krugerrand	414-417	272-274
Maple Leaf	425.45-428.10	-
New Sovereign	97-100	64-66

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.) [illegible]
■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) [illegible]
■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) [illegible]
■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) [illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel) [illegible]
■ CRUDE OIL IPE ($/barrel) [illegible]
■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.) [illegible]
■ GAS OIL IPE ($/tonne) [illegible]
■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.) [illegible]
■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.) [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne) [illegible]
■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]
■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]
■ BARLEY LCE (£ per tonne) [illegible]
■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]
■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]
■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]
■ POTATOES LCE (£/tonne) [illegible]
■ FREIGHT (BIFFEX) LCE ($10/index point) [illegible]

FUTURES DATA
All futures data supplied by CMS.

Spices
Hurricane Bonita has badly damaged Madagascan clove production this year, reports Man Producten. [illegible]

SOFTS

■ COCOA LCE (£/tonne) [illegible]
■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]
■ COCOA (ICCO) (SDR's/tonne) [illegible]
■ COFFEE LCE ($/tonne) [illegible]
■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]
■ COFFEE (ICO) (US cents/pound) [illegible]
■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) [illegible]
■ WHITE SUGAR LCE ($/tonne) [illegible]
■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]
■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]
■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100) [illegible]
■ CRB Futures (Base: 1967=100) [illegible]
■ GSCI Spot (Base: 1970=100) [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs) [illegible]
■ LIVE HOGS CME (40,000lbs; cents/lbs) [illegible]
Oct	44.300	+0.500	44.300	43.900	71	1,725
Total					7,583	37,149

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	53.875	-0.900	55.125	53.700	1,140	1,816
Mar	54.100	-1.100	55.650	54.000	1,068	2,306
May	55.300	-0.425	56.275	55.200	284	1,417
Jul	55.575	-0.425	56.100	55.450	80	1,050
Aug	52.650	+0.150	53.500	53.300	7	241
Total					2,579	6,830

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1500	91	119	-	13
1600	11	54	11	46
1700	-	18	108	110
■ COPPER (Grade A) LME	Feb	Apr	Feb	Apr
2500	63	101	2	50
2600	14	53	33	101
2700	-	24	119	171
■ COFFEE LCE	Mar	May	Mar	May
N/A	-	-	-	-
N/A	-	-	-	-
N/A	-	-	-	-
■ COCOA LCE	Mar	May	Mar	May
N/A	-	-	-	-
N/A	-	-	-	-
N/A	-	-	-	-
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1650	47	40	24	-
1700	14	24	44	-
1750	10	10	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$15.59-5.70w	+0.005
Brent Blend (dated)	$16.99-7.01	+0.10
Brent Blend (Mar)	$16.74-6.78	+0.09
W.T.I.	$17.89-7.91w	+0.06

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$167-169	
Gas Oil	$171-172	+5
Heavy Fuel Oil	$99-101	+1
Naphtha	$169-171	+1
Jet fuel	$186-188	+3
Diesel	$172-174	+3

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$415.40	+4.85
Silver (per troy oz)♣	573.5c	
Platinum (per troy oz.)	$429.25	+6.0
Palladium (per troy oz.)	$137.50	+7.5
Copper	119.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.86m	+0.10
Tin (New York)	2957.5c	-2.0
Cattle (live weight)†	121.44p	-0.53*
Sheep (live weight)†♠	131.57p	+1.65*
Pigs (live weight)†	108.81p	+0.89*
Lon. day sugar (raw)	$324.1	-1.5
Lon. day sugar (wte)	$380.0	-1.0
Barley (Eng. feed)	121.5u	
Maize (US No3 Yellow)	150.5z	
Wheat (US Dark North)	Unq	
Rubber (Mar)♥	105.00p	
Rubber (Apr)♥	105.00p	
Rubber (KL RSS No1)	384.0m	+0.5
Coconut Oil (Phil)§	$745.0y	+5.0
Palm Oil (Malay.)§	$515.0y	+2.5
Copra (Phil)§	476.0y	+9.0
Soyabeans (US)	211.0	
Cotton Outlook'A' index	87.05	
Wooltops (64s Super)	446p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Feb.♥ w Mar. y Feb/Mar. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	113.1730	-0.440	8.08	8.02	8.35
Austria		6.500	11/05	101.8000	-0.400	6.24	6.20	6.42
Belgium		6.500	03/05	100.7500	-0.510	6.39	6.35	6.76
Canada *		6.750	12/05	112.0500	-0.150	7.03	7.16	7.32
Denmark		8.000	03/06	105.9000	-0.560	7.18	7.09	7.42
France	BTAN	7.000	10/00	108.2500	-0.380	5.36	5.45	5.92
	OAT	7.250	03/06	105.9000	-0.210	6.44	6.40	6.77
Germany Bund		6.000	01/06	100.1300	-0.790	5.96	5.89	6.12
Ireland		8.000	08/06	104.5000	-0.150	7.36	7.32	7.59
Italy		10.500	09/05	109.3100	-0.340	9.95†	10.16	10.89
Japan	No 129	6.400	03/00	117.5240	+0.120	1.82	1.75	1.48
	No 174	4.600	09/04	111.1770	+0.380	2.97	2.95	2.74
Netherlands		6.000	01/06	100.1600	-0.240	5.98	5.89	6.13
Portugal		11.875	02/05	114.0650	-0.790	9.48	9.43	9.93
Spain		10.150	01/06	102.3200	-0.560	9.60	9.65	9.61
Sweden		6.000	02/05	85.1980	-0.160	8.41	8.51	8.68
UK Gilts		8.000	12/00	104-13	-15/32	6.90	6.74	6.88
		7.500	12/06	99-11	-26/32	7.59	7.44	7.55
		9.000	10/08	110-03	-29/32	7.73	7.60	7.70
US Treasury *		5.875	11/05	102-03	-1/32	5.59	5.68	5.77
		6.875	08/25	110-18	-18/32	6.10	6.11	6.13
ECU (French Govt)		7.500	04/05	104.5100	-0.130	6.82	6.81	7.09

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields	
Prime rate	8¼	One month	5.25
Broker loan rate	7¾	Two month	5.08
Fed.funds	5⅜	Three month	4.98
Fed.funds at intervention	-	Six month	4.91
		One year	4.80

Two year / Three year / Five year / 10-year / 30-year [illegible]

BOND FUTURES AND OPTIONS

France ■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000 [illegible]
■ LONG TERM FRENCH BOND OPTIONS (MATIF) [illegible]

Germany ■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100% [illegible]
■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100% [illegible]

Italy ■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100% [illegible]
■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100% [illegible]

Spain ■ NOTIONAL SPANISH BOND FUTURES (MEFF) [illegible]

UK ■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100% [illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100% [illegible]

Ecu ■ ECU BOND FUTURES (MATIF) ECU100,000 [illegible]

US ■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	[illegible]	120-19	+0-07	120-28	120-04	326,715	326,260
Jun	[illegible]	120-04	+0-07	120-09	119-21	14,872	31,628
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Japan ■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100% [illegible]

FT-ACTUARIES FIXED INTEREST INDICES [illegible]

FT FIXED INTEREST INDICES [illegible]

GILT EDGED ACTIVITY INDICES [illegible]

UK GILTS PRICES [illegible]

Other Fixed Interest [illegible]

ECONOMIC DIARY – FORWARD EVENTS

TODAY: European Union (EU) energy ministers' meeting in Bologna (and Sunday).

TOMORROW: The UK's three newly privatised passenger train companies start services.

MONDAY: Housing starts and completions (December). M0 figures (January-provisional). White House releases outline of US budget for 1997. French industry survey (fourth quarter). Mr Felipe Gonzalez, Spanish prime minister, visits Rabat for first Spanish-Moroccan summit since 1993 (To Feb 6). US/Japan trade talks in Tokyo. Strike action threatened by the Confederation Generale du Travail.

TUESDAY: Index of production (December). Advance energy statistics (October-December). Japan trade balance (December). UN and Iraq begin talks in New York on an oil-for-food scheme. Ruling New Korea Party holds convention in Seoul.

WEDNESDAY: Cyclical indicators of the UK economy (January). Overseas travel and tourism (November). Index of production and construction for Scotland (third quarter). CBI/BSL regional trends survey (February). US trade deficit (November); consumer credit (December). French industrial production (third quarter). Prime ministers of Belgium, Luxembourg and Netherlands meet in The Hague for talks on review of Maastricht Treaty ahead of launch of European Union's inter-governmental conference. Joint Australia-OECD conference on security takes place in Canberra.

THURSDAY: Labour market trends (February). Deadline for the UN's peacekeeping mandate in Angola. Mr Jim Bolger, New Zealand prime minister, gives State of Nation speech. BT interim report.

FRIDAY: CBI survey of distributive trades (January). Analysis of bank lending to UK residents (fourth quarter). US bank credit (January). Mr Warren Christopher, US Secretary of State, visits Helsinki; holds meeting following day with Mr Yevgeny Primakov, the new Russian foreign minister (to Feb 11). Mr Nelson Mandela, South Africa's president, addresses joint sitting of parliament. Expected start for Malaysian Monetary Exchange.

COMMENT & ANALYSIS

FINANCIAL TIMES

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Saturday February 3 1996

A cut above, or a cut behind?

For many, this week's interest rate cuts in Europe and the US are cause for celebration. Even before the central bankers took action, it was possible to believe that the US – and even France and Germany – would regain their momentum in the coming months, as last year's rate reductions took effect. Now, surely, a triumphant global recovery is in the bag?

Plainly, the global economy ends the week with better medium-term growth prospects than those it began with. But whether this spells a full-fledged recovery depends on how bad prospects were at the beginning.

The central banks' actions in recent weeks look impressive. Thanks to Wednesday's quarter-point reduction in the US Federal funds rate, to 5.25 per cent, short-term interest rates in North America are now three quarters of a percentage point lower than last summer. Short-term German rates have fallen even further – by around 1¼ percentage points – since last July. The repo rate cuts announced by the Bundesbank this week mean that domestic short-term money market rates have fallen by nearly three-quarters of a percentage point in the past five weeks alone.

Considered in real terms, however, the loosening of policy is less dramatic. With inflation of about 2¾ per cent, US real short term interest rates are now only slightly below 3 per cent, the rate traditionally associated with neutral monetary policy.

The appalling weather over Christmas and the partial shutdown of the federal government doubtless played a significant part in this week's depressing economic data. The stock market, at least, seemed little bothered by either the sharp decline in the Purchasing Managers' Index for December or the 201,000 decline in January non-farm payrolls. But, with inflation seemingly under control for the time being, it may not take many more data disappointments for Mr Greenspan to opt for further monetary relaxation, perhaps as early as next month.

Surprise comeback

With German inflation presently around 2 per cent, real short term lending rates there are much lower than in the US, at around 1¼ per cent. But this may have only a limited effect on investment and consumer demand while long-term interest rates refuse to follow the Bundesbank's lead. In real terms, the yield on German 10-year bonds is skirting 4 per cent: French real yields are higher still.

The bond market's failure to react to the recent interest rate cuts is puzzling. Possibly, the investors demanding these rates are unconvinced by the talk of an oncoming recession. They may well be wary of getting their hands burnt in an abrupt reversal of monetary policy when growth – and inflation – make a surprise comeback.

The French and German voters now demanding action against rising unemployment and stumbling economic growth would have a less charitable explanation for stubbornly high bond rates. Bond investors, they might argue, simply "do not get it". They do not understand that they have entered a new, low-inflation environment in which there is as great a risk of deflationary spirals as of inflationary ones.

Structural reforms

As ever, the truth probably lies somewhere in between. The recent surge in French and German unemployment and collapse in business confidence suggest that both countries are now either in recession, or close to it. Even if confidence miraculously revives over the next few months, there is little evidence to suggest that inflationary pressures would also rebound. Further modest interest rate cuts are probably a risk worth taking.

Yet anyone who believes that monetary – or fiscal – expansion by themselves can hope to rid Europe of high unemployment is even more guilty of living in the past than the inflation-wary bond investor. The structural reforms proposed by the German government this week look more like what will be needed to free up investment and employment growth. But Chancellor Helmut Kohl would have to propose a much more sweeping package of regulatory and social security reforms – and plan to implement it rather faster – to make a significant dent on the jobless total before the century is up.

Hans Tietmeyer, the Bundesbank president, denied yesterday that there was much role for monetary policy in solving the European unemployment problem. Cheap money alone will not solve the structural problems that have left 11 per cent of the European labour force without a job. But, with fiscal policy now dedicated to the goal of qualifying for monetary union, Europe's cyclical fate is firmly in the Bundesbank's hands. Mr Tietmeyer has not shirked the task of averting a recession so far – but neither, by the looks of things, has he completed it.

Trevor Humphries

Untied: demerging the highly personalised business of the late Lord White (left) and Lord Hanson could be seen as following a new fashion in corporate management

Predator that lost its habitat

The conditions that allowed Hanson to prosper have disappeared in an era of low inflation and greater global competition, says **John Plender**

A popular interpretation of this week's proposal to demerge the Hanson conglomerate is that Lord Hanson is being forced to pay homage to changing corporate fashion.

Conglomeration is out; focus is in; the management looks tired; Hanson is too big. Ergo, the conglomerate should be split into its four principal businesses of energy, chemicals, tobacco and building materials, each with managements that will recapture impetus in a new incarnation.

This makes sense, up to a point, although Hanson itself prefers to portray the move as a natural evolution in the process of concentrating on fewer and larger businesses. Yet the prospects for the demerger, which has been greeted with a marked lack of enthusiasm by the stock market, need to be seen in a wider perspective.

Because of its entrepreneurial origins Hanson has always been talked of as a highly personalised business, in which competitive advantage derived from the dealmaking talents of the late Lord White and the operational management capability of Lord Hanson. Yet all successful companies owe something, consciously or otherwise, to the environment of the time.

One important feature of the 1960s, when the two men set about building what was then called Wiles Group, was that share ownership was more widely dispersed among smaller investors. With ownership divorced from control, management had a licence to perform in its own interest rather than that of the shareholders.

By espousing the cause of shareholder value, Hanson and White helped provide an answer to this problem. Their aggressive acquisitions, which led to the imposition of tighter financial controls, delivered a much needed service to shareholders. It could also enhance industrial efficiency.

A second striking thing about the period in which Hanson has operated is that it saw the greatest peacetime inflation in centuries. Against this background, a focus on low investment with short payback periods, a strong desire to minimise risk and a strategy of releasing value from under-used assets was a near-perfect survival kit.

Friends of Hanson and White who borrowed heavily and took big risks in the 1970s – Jim Slater is an obvious case in point – were wiped out. In contrast, Hanson remained a boring company in low-risk, low-tech industries such as brickmaking which generated plenty of cash. It survived.

In the 1980s, when the Thatcher administration provided a benign political climate for a style of management that involved growing redundancies, the Hanson formula produced exceptional returns for shareholders. The locus classicus was Imperial Group, where some £2.4bn of the original £2.5bn purchase price was recouped from asset disposals, leaving Hanson with the tobacco business intact. A comparable trick was worked in the US, on SCM, the old Smith Corona typewriter business.

Even when Hanson did not succeed, as when it accumulated a stake in Imperial Chemical Industries without proceeding to a bid, it sometimes left a beneficial mark. ICI's subsequent decision to hive off Zeneca allowed the managers of its pharmaceutical business to escape from under the shadow of the older, cyclical chemicals business.

Subsequently the company appears to have lost much of its edge. Acquisitions of Consolidated Goldfields, the mining company, and Beazer, the UK building group, appeared to be poorly timed. The battle over ICI revealed that Hanson's management style was less disciplined than many had thought. The earnings performance over the past five years, and more particularly the dividend performance, have disappointed. The share price has lagged dismally in the present decade.

With a market capitalisation of more than £10.5bn before the demerger announcement, it has become increasingly difficult to find suitable acquisitions capable of making a big impact on earnings.

There is a more fundamental point about Hanson in the 1990s, that it no longer delivers what investors want, because the investors have changed. In the UK, and increasingly in the US, institutions such as insurance companies and pension funds dominate the market. Those institutions prefer to make their own decisions about which industries to back, rather than leaving judgments about diversification to industrialists.

A conglomerate that continues to sustain exceptional performance, such as General Electric of the US, can still command a premium for management. But there are few such companies, and Hanson is certainly not one of them.

The fall in Hanson's share price this week might be taken to imply that the market believes the demerger will destroy some management value in the Hanson group. But it seems more likely that it reflects uncertainty over the ultimate outcome: there are fears that the overall tax charge in a demerged Hanson will be higher, while the dividends will be lower.

A more fundamental reason for questioning whether the demerger will transform the prospect for Hanson's businesses is that Hanson's traditional low investment, short payback approach looks less helpful in a disinflationary environment. Management gurus such as Gary Hamel argue that after constant re-engineering, delayering and downsizing, too many companies are suffering from corporate anorexia. In his view, this is an era for a different kind of rule-breaker – a time for more creative groups such as Virgin, Ikea or Body Shop.

From a wider economic perspective, Hanson's cost disciplines are less necessary because increased global competition, which comes increasingly from dynamic Asian economies with a big labour cost advantage, imposes tougher constraints on the labour market.

Moreover, for Hamel and others, the business culture of the Anglo-Saxon countries is heavily biased towards cost-reduction rather than revenue generation as a means of producing profits.

Hanson's riposte is that it is changing its spots. According to director Mr Christopher Collins, the company has moved into an era of higher investment. It believes that there are circumstances where capital investment can be a better way of developing a business than making acquisitions. Over the past two years, he adds, payback periods have been lengthened – though he declines to say how much.

But how easy will it be for the Hanson companies to change their culture in this way? Another strain of current management thinking argues that the competitive advantage of more investment-intensive businesses comes from relationships of trust between employees, suppliers and customers, permitting a more flexible response to changing conditions. This is a lesson the US has learned from the Japanese.

The approach underpins the dramatic recent turnround in productivity at many US corporations. Yet such relationships are based on implicit contracts between companies and stakeholders. They stem from a view of the corporation as a social institution rather than the creation of private contract.

This is the very antithesis of the Hanson philosophy of shareholder value. Indeed, Hanson's critics have claimed that its post-acquisition profits are derived partly from breaking implicit contracts, for example, with the workforce over employment tenure and pensions. And if the distinctive capability of Hanson derives historically from a capacity for dealmaking and cost control, the cultural adjustment that will be required for its offspring to shift to a more investment-oriented bias will be huge, regardless of the view of the management theorists.

If Lord White had lived longer, Lord Hanson might have been tempted to cock a snook at the markets and try to pull off another giant deal. Yet it is hard to see what other route Hanson could now explore. Perhaps the most elegant way of combining shareholder value with a culture change would be for the demerged companies to fall victim to takeovers themselves.

At 74, and with plenty of money under the bed, Lord Hanson might feel a twinge of regret. But he could not, in principle, object.

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Out and about

From Mr Ian A. McIntyre.

Sir, If Clive Aslet ("Walking back to happiness", January 27/28) thinks the nation has given up walking and there is a "hostility to the elements", he should have been out on Hindhead Commons on this bleak, grey, mid-winter weekend.

In one hour, I saw numerous people out with their dogs and children, one family struggling with a kite, two separate orienteering groups, and some mountain-bikers. Personally, I could have done with a bit more peace and quiet.

**Ian A. McIntyre,
Orchard House,
Church Lane, Haslemere,
Surrey GU27 2BJ, UK**

Agricultural lobby is not prepared to accept reality

From Mr Terry Wynn MEP.

Sir, The debate in your paper on over-compensating farmers is revealing. Farmers' unions react angrily to a proposal to reduce compensation payments when figures published by the EU's statistics office show farm incomes are the highest for 20 years. In the UK, Common Agricultural Policy reforms and sterling devaluation have meant farmers' incomes rose 16.6 per cent last year. Sweden's farmers, already highly protected, saw incomes rise 26 per cent as Sweden joined the EU.

We all accept that the farming industry is going through a time of great uncertainty and while large farmers are doing well out of 1992 CAP reforms, the absence of a real rural policy means that others are sinking. But surely if the CAP and its so-called reforms, with half the EU's budget at its disposal (£35bn), is still not looking after rural communities, it must be time radically to alter the CAP *and* its objectives. The trouble is the European agricultural lobby will not accept the reality.

**Terry Wynn,
European Parliament,
Rue Belliard 97-113,
1047 Brussels, Belgium**

Federalism can be successful

From Mr Richard Whitman.

Sir, Martin Wolf ("No clarity of purpose" January 30) is correct in noting that the EU should concern itself with questions of constitution construction. But in dismissing a federal constitution as an option on the basis that it is "the less attractive" he closes down rather than opens up the debate on the form of the future EU constitution.

Federalism has become a byword for centralisation and anti-democracy in the UK and is widely understood as inferring greater powers for "Brussels" and a diminution for power exercised at the national level. Perhaps we should be looking at successful federal systems that are now in operation – for example Australia – before we dismiss the federal option so lightly?

**Richard Whitman,
lecturer in international relations and diplomacy,
The University of Westminster,
309 Regent Street,
London W1N 8AL, UK**

Wasted effort on duplicating cancer research

From Mrs Beverley Watson.

Sir, I read with dismay your report "Patent battle may delay cancer test" (January 16) about the race between two teams of cancer researchers to find the second gene in breast cancer.

My husband, who died of cancer of the oesophagus, would not thank one of the teams which will surely have wasted time, money and effort by duplicating the work of the other team.

There is a lot of suffering out there from many kinds of cancer. Shouldn't the researchers get it together and work on different lines to help more people? Isn't there some sort of Internet for cancer research?

**Beverley Watson,
24 Bramley Road,
Cheam, Surrey SM2 7LR, UK**

Speculation over Maastricht threatens UK Tory re-election hopes

From Mr John Stevens MEP.

Sir, Douglas Hurd is the latest of a number of UK Conservatives who recently seem to have been tempted to exploit the current vagaries of the Maastricht convergence process in Germany and France to secure a postponement of Emu ("Hold fire on monetary union", January 31). No doubt, they believe this would help the government politically in the run-up to the general election.

However, such a temptation could only entice someone with a willingness to exacerbate the party's divisions on the future European economy and without a responsibility for, or an understanding of, the present British economy.

If the Maastricht treaty were to come apart now, the uncertainty and the loss of confidence in core Europe would be immense. This would aggravate substantially the negative impact that their poor economic performance has already had on UK trade and jobs.

It would lead to a much stronger D-Mark, thus removing the possibility of further sterling rate cuts, which is an essential element in the present relatively positive outlook for UK growth.

It would completely discredit the strict monetary and fiscal discipline and liberal supply side agenda that implementing Emu represents on the Continent. This could not fail to undermine one of the principal planks of the Conservative case in the UK policy debate.

Those who wish to see this government re-elected must have realised by now that the soundness of the chancellor's management of the economy over the past three years is by far Britain's strongest card. Speculating about the Maastricht timetable, some two years before any decision need be made, risks throwing that away.

**John Stevens,
39 St James's Place,
London SW1A 1NS, UK**

Man in the News · Neil Kinnock

Flightpath to compromise

Lionel Barber on the European Commissioner who rescued Iberia

Neil Kinnock has the gift of the gab, but he had a hard time this week explaining why he approved the Pta87bn ($707m) bail-out of Iberia, the near-bankrupt Spanish national airline.

In London, angry backbench Tory MPs accused the former UK Labour party leader turned EU transport commissioner of bending the rules on state aid and caving in to the Spanish government. Ministers muttered threats about seeking redress in the European Court of Justice.

It must have felt like old times for Kinnock, no stranger to being stitched up by Conservative Central Office. The details of his agreement to prop up Iberia have been known since mid-December. No one seriously expected changes this week. So the Tory assault was primarily Brussels-bashing, with the opposition Labour party branded guilty by association with Kinnock.

Yet Iberia was also Commissioner Kinnock's first big test, his chance to silence critics who predicted his lack of ministerial experience would find him wanting in his new job. The Iberia case also says much about the murky politics of EU state aid, particularly when applied to the fragmented European airline industry with its cossetted workforces, high costs and over-priced fares.

There is an unwritten rule in Europe that national carriers, whether public or private, are too important to go bankrupt. They are one of the symbols of the nation state. Hence the dubious Commission deals over the years which have allowed governments in Belgium, Greece, Ireland, Portugal and most recently, France, to bail out their national airlines.

Iberia is doubly hard to swallow because it received Pta120bn in 1992, only on condition that it did not ask for more support before the end of 1996. Losses on a disastrous investment in South American airlines forced the Madrid government last year to go cap-in-hand to Brussels with a request for another Pta130bn.

"Neil knew he was on a hiding to nothing," says a colleague. "On the one hand, you have a Spanish government just weeks away from national elections [in March], on the other you have a British government absolutely opposed to a rescue. But if Neil had stalled, everyone would have said he is incapable of taking a decision."

Commissioner Kinnock and his team negotiated with the Spanish for almost a year, and the talks were punctuated with more than the odd Welsh expletive. The eventual deal is a complex piece of financial engineering, but he presented it confidently at a meeting of the full 20-member Commission last Wednesday and won unanimous support.

In essence, the Commission has allowed the Spanish authorities to inject Pta87bn into Iberia, and a further Pta20bn next year if the airline appears commercially viable. Iberia must sell its South American investments, though it has a buy-back clause if it can meet stiff rates of return on its assets. Finally, the new capital can only be used for debt restructuring and redundancies.

Commission officials insist that the compromise points Iberia firmly in the direction of privatisation. They claim that the rescue package does not count as state aid in its usual sense because it is covered by "the market investor principle". This approach – applied in other cases such as that of Klöckner, the German steelmaker – permits state aid if the Commission believes that private investors would have acted in the same way.

Since no one is rushing to invest large sums in Iberia, there is room to question this judgment. Kinnock aides argue that Iberia – stripped of its lossmaking routes – does have the potential to return to profit. Their hope is that the strict conditions in the rescue plan will force the airline to seek its salvation in alliances, a developing trend in the European aviation market which the Commission is slowly prising open to more competition.

Close aides say Kinnock was very reluctant to endorse the bail-out, sensing, perhaps, that it would provoke uproar in Britain. He remains sensitive about his political image; as does his wife Glenys, now an up-and-coming member of the European parliament. Both are very suspicious of the British press, believing that negative coverage helped to lose Labour the 1992 election.

So how is Commissioner Kinnock doing after one year in Brussels? The general view is that he has coped well, thanks to an experienced staff and a gregariousness which contrasts with the loner mentality of Sir Leon Brittan, the other British commissioner. Kinnock has worked successfully to improve ferry safety in the North Sea. He has plugged away on baggage handling deregulation. He has mastered the transport jargon: words like "inter-operability" [running trains on the tracks of different EU countries] trip off his tongue, perhaps a little too easily.

There have been glitches. Kinnock's campaign in favour of the Commission negotiating "open skies" agreements with the US for the EU as a bloc barely got off the runway. When some countries went ahead with bilateral deals with Washington, Kinnock threatened court action against their governments. Now he is trying to find a compromise.

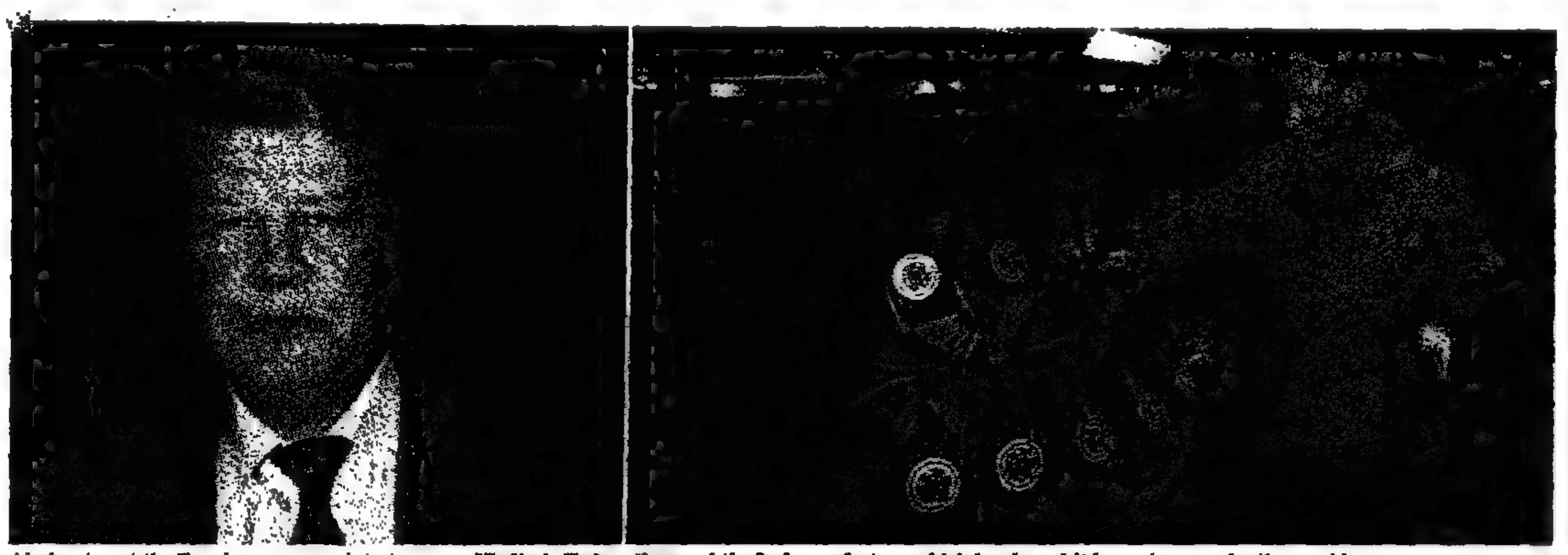
A more serious incident occurred last November. Kinnock gave a speech to a meeting of British businesspeople in which he dismissed the goal of launching a single currency on schedule in 1999. He also accused the EU of bungling its approach to enlargement and the incorporation of the former communist countries of central and eastern Europe.

The commissioner claims that the text was never meant to be distributed in Brussels, but he has still to disavow his remarks to colleagues. Indeed, he has a crate of champagne riding on his view that Emu will not go ahead in 1999 (though he says he still supports eventual monetary union as an objective).

The issue comes down to judgment: why did Kinnock think it a good idea to dismiss the EU's two most important political priorities in a few paragraphs in front of a Siemens management forum in Bracknell, Berkshire?

A Commission colleague says the incident highlighted Kinnock's weakness as a politician. Having spent his whole life in opposition, he has never had to adhere to the disciplines of government. Nor has he had the advantage of working in industry or business. His natural role is as critic rather than achiever.

Another theory is that Kinnock, like many of his compatriots has still to "get religion" when it comes to Europe. But in Brussels he is surrounded by true believers who instinctively lean towards compromise. In that sense, the Iberia case, a classic Brussels compromise, has contributed to the political education of Neil Kinnock. He discovered the cost of being a good European.



Aiming to get the Russian economy into top gear: Vladimir Kadannikov and the Lada car factory which has been hit by serious production problems

Lada cars do not inspire faith in Russia's new deputy premier, says **John Thornhill**

Lessons from the factory floor

Hundreds of half-built Lada cars stand half-buried in the snow outside the main gates of the giant Avtovaz car plant in the Russian town of Togliatti.

The cars remain unfinished because of a lack of critical components, and the plant's 110,000 workers have not been paid for three months.

The sight is hardly the best endorsement for Mr Vladimir Kadannikov, Avtovaz's general director, who has just been appointed by President Boris Yeltsin to get the Russian economy motoring again.

The 54-year-old former metal worker, who this week started work as first deputy prime minister in charge of the economy, was immediately confronted by strikes from teachers and coal miners demanding the government pay their wage arrears.

His appointment sparked reactions in Russia's liberal media ranging from the unfavourable to the outright hostile. He was depicted as one of Russia's less dynamic industrial managers: his plant has been plagued by strikes and late payment of wages, and has not produced a new model of the idiosyncratic Lada car since 1988.

Some newspaper commentators suggested the appointment signalled an end to Russia's bold economic reform programme and a return to Soviet-era cronyism in the Kremlin. Economic favours and cheap credits, in other words, are dispensed according to lobbying power. Mr Boris Nemtsov, the reformist governor of Nizhny Nivgorod, openly worried about what the appointment might mean for the rival Gaz truck-producing plant, which is located in his region and has been markedly more successful than Avtovaz in re-orientating itself towards a free market.

Mr Kadannikov's early pronouncements certainly hint at a preference for protectionism rather than the development of open competition encouraged by his reformist predecessor, Mr Anatoly Chubais. Mr Kadannikov speaks the same language as Mr Oleg Soskovets, the other first deputy prime minister who has long complained about the inappropriateness of "western" market reforms in Russia.

Mr Kadannikov appears to favour greater state support for industry, a raising of import tariffs to protect domestic producers, and a curtailment of the strong rouble strategy which has made it harder for Avtovaz to export.

Such policies could undermine Russia's fragile economic stabilisation programme – which finally appears to be on the verge of bearing fruit – and re-ignite inflation.

So far, the International Monetary Fund, which seems keen to support a $9bn three-year loan to Russia to entrench economic reform, has been inclined to reserve judgment about Mr Kadannikov. But one western economist privately describes the appointment as a "disaster" which could lead to a few months of unprincipled plunder by Russia's "robber-capitalists" before their supporters in the Kremlin are swept from power.

Such excitable reactions provoke surprise in Togliatti, where Mr Kadannikov has worked since 1967. In this grimy town in Russia's industrial heartland, the adjective most commonly used to describe the burly former general director is *mudryi* – perhaps best translated as canny, with its suggestion of intelligence mixed with low cunning.

With typical caution, Mr Kadannikov has ensured he can jump back to his old industrial power base if President Yeltsin is not re-elected. He is to remain chairman of Avtovaz's board of directors while handing over day-to-day management of the plant.

Some of the city's 722,000 residents praise Mr Kadannikov for not shedding more workers despite his failure to pay them on time. But many privately mutter about allegations of corruption at the plant and the financial plight of Avtovazbank, the plant's associated bank, which is threatened with bankruptcy in the absence of government support.

Mr Sergei Zhilkin, Togliatti's mayor, says: "Kadannikov is not a monetarist but to say this means the end of reforms is senseless. The question of what form those reforms should take is the question that he will address."

On this view, he may prove to be a pragmatic reformer in the same mould as Mr Victor Chernomyrdin, the former head of the giant Gazprom gas concern who was initially perceived by reformers as a dangerous reactionary when he became prime minister in 1992.

In spite of Mr Kadannikov's reputation for conservatism, he invited a team of accountants from Price Waterhouse into Avtovaz's blue 35-storey headquarters to prepare a set of internationally-acceptable accounts to help it raise funds from international investors.

While Mr Kadannikov may also publicly rail against the mistakes of economic reform, he can hardly fail to appreciate many of the advantages of stabilisation that are becoming evident in his own backyard.

A report on Togliatti's economy prepared by the city administration highlights the benefits of the more predictable financial conditions that have emerged in the past year thanks to the anti-inflation policies of Mr Chubais.

Many medium-sized enterprises have successfully re-orientated themselves towards the export market. The region's chemical exports rose sharply in 1995, helping to reverse the decline in industrial output over the previous four years.

One of the report's most striking observations is that the local entrepreneurial spirit appears to have flourished in areas where the state has removed itself from the market. The state's withdrawal from construction and retail has allowed private flats to be built and 24-hour kiosks selling consumer goods to mushroom on street corners.

In 1995 there was a 16.5 per cent growth in the number of registered companies in Togliatti to 11,462. Only 207 of these are state-owned enterprises, and the number of small businesses employing less than 50 people has risen to 3,000. Such favourable trends in the region make it all the more surprising that Avtovaz is suffering financial problems.

Many outside observers blame the company's difficulties on its own lack of dynamism rather than the ills of the economy as a whole. With a captive domestic market, big export sales to Europe, Asia and South America, and wide international contacts, Avtovaz was well placed to exploit the transition to a market economy. But it has largely failed to restructure its operations to improve competitiveness. The old design of its cars mean they contain far more steel and other costly components than western models. It is also estimated that labour accounts for 40 per cent of total costs – a far higher proportion than in most foreign car companies.

In addition, the company has repeatedly failed to clinch an investment deal with a foreign partner despite extensive talks with General Motors, Honda and Daewoo. "Look at what is happening to Avtovaz," Mr Andrei Illarionov, a liberal Russian economist, warned last week, "and you will understand what will happen to Russia."

On the Oregon trail

Tim Hames and Andrew Adonis on attempts to boost turnouts in elections

Freedom fighters still risk their lives across the world for the right to vote. Yet many of the oldest democracies have long faced the embarrassing problem of persuading people to use their votes at all. They might do well to look for inspiration to Oregon, the US state which this week pioneered the most radical experiment of recent times in getting voters to exercise their democratic right.

Oregon conducted an entire election by post. There was no polling day, no voting booths, no restricted voting period: just an envelope in which to return a ballot paper.

The result was that almost two thirds of the electorate voted – which the non-partisan Committee for the Study of the American Electorate describes as a "triumph".

The new approach was adopted for a by-election – known in the US as a special election – to fill a vacancy in the federal senate. Ballot papers were sent out to Oregon's 1.8m registered voters on January 10, with nearly three weeks to return them, in person or by post.

By the close of poll on Tuesday, 65 per cent of the state's voters had cast their ballots. This is an astounding response for a congressional special election, for which the turnout is rarely higher than one third and often far lower.

It would have been high for a regular election. At the last nationwide congressional poll in 1994 average participation was only 36 per cent.

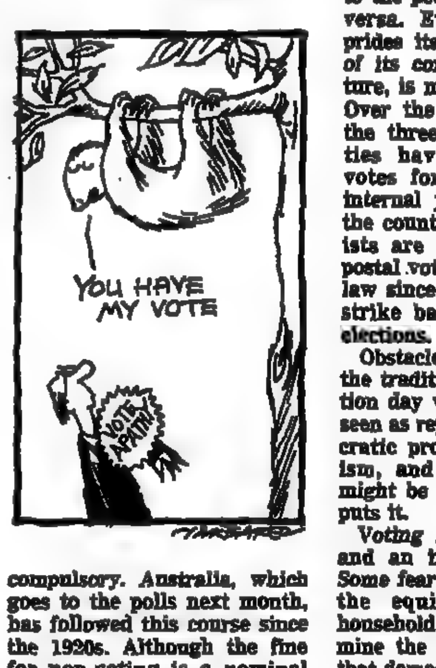
Even in US presidential elections turnout has been falling. Between 1960 and 1992 it declined from 63 per cent to barely 55 per cent.

About a third of Americans do not bother to register to vote, although it has become progressively easier since the landmark Voting Rights Act of 1965. The latest innovation is to allow citizens to register when picking up their driving permit.

Low voter turnout is not just a US problem. Although European countries generally manage high participation levels in general elections, turnout often falls dramatically in local, regional and European polls.

In the last regular elections for the European parliament, eight of the (then) 12 member states recorded turnouts of less than two thirds of registered voters. In Portugal, the Netherlands and the UK barely one in three voters made it to the polls.

The extreme response to such apathy is to make voting compulsory. Australia, which goes to the polls next month, has followed this course since the 1920s. Although the fine for non-voting is a nominal A$30 (£14), turnout is about 96 per cent.



"The case for compulsion is generally accepted and it is not much of an issue," says Mr David Butler, of Nuffield College, Oxford.

There have been some successful initiatives designed to raise turnout by spreading the time available to cast votes. Sweden, for example, allows voters to cast their ballots in post offices for weeks running up to polling day. More than a third of the total vote is cast in this way – achieving a turnout of nearly 90 per cent without compulsion. Some US states – notably Texas – have adopted similar schemes, although with less success.

But most countries restrict voting outside polling day to voters who know in advance that they are likely to be absent or physically unable to travel to the polling station. In the UK almost everyone likely to be away from home on polling day can now apply for a postal vote. Yet barely 2 per cent of votes were cast by post at the last general election, and the response is little higher in local elections where the turnout is usually below 40 per cent.

So is Oregon the future – opening the way, perhaps, to more ambitious forms of armchair democracy?

Mr Bo Sarlvik, politics professor at Sweden's Gothenburg university, says that when the idea of a fully postal election was floated at an international political science conference a decade ago "it was greeted with uncontrolled laughter".

Yet few now question the principle of bringing the votes to the people rather than vice versa. Even Britain, which prides itself on the antiquity of its constitutional architecture, is moving Oregon's way. Over the past decade two of the three main political parties have moved to postal votes for their members in internal party elections. And the country's 7m trade unionists are now accustomed to postal voting – compulsory by law since the mid-1980s – for strike ballots and executive elections.

Obstacles remain – not least the tradition of a formal election day which has long been seen as representing the democratic process. "The symbolism, and sense of urgency, might be lost," as Mr Sarlvik puts it.

Voting is both a collective and an individual exercise. Some fear that to reduce it to the equivalent of paying household bills might undermine the sense of citizenship that democracy needs to flourish.

Issues of money and power are also at stake. Most of the strongest advocates of these kinds of reforms in the US have been on the left of the Democratic party, believing that non-voters – particularly black people – would be disproportionately sympathetic to them. They will have been encouraged by the result of the Oregon election, which returned a Democrat senator for the state for the first time in 29 years.

As for money, the Oregon poll spread the need for massive organisation and constant television advertising over 20 days, making it the most expensive special election in the state's history. The Republican candidate invested $2m of his money in the race – boding ill for those who fear any change that would increase still further the importance of money in the US electoral process.

French child of the sixties faces up to the modern world

Libération has accepted a rescue package which costs it its independence, says **Andrew Jack**

It has been a bruising week for the journalists of Libération, the French leftwing daily newspaper founded on idealistic principles in the aftermath of the 1968 *événements*.

Late on Wednesday evening, the day on which its funds were due to run out, management and staff finally voted for a restructuring package which involves ending the newspaper's independence.

The staff have been forced to confront the deteriorating business environment affecting the French newspaper industry. The most recent victim was InfoMatin, a daily tabloid launched only two years ago, which closed last month.

The restructuring package involves a life-saving capital injection of FFr70m (£9m) which will give the newspaper the time and resources to cope with its accumulated deficit, which is expected to reach FFr240m for 1994-96. But it also means handing majority control to Chargeurs, the French entertainment and textiles group, and a series of cost-cutting measures, including some 73 redundancies. "It's the end of an era," says one Libération journalist.

The newspaper's fate reflects the transformation in the lives of the 1960s generation as they have changed from radical students into parents beginning to look towards retirement.

Its origins lie in the student occupations and strikes of 1968 in Paris, when Mr Serge July, a Maoist-sympathising lecturer, and Jean-Paul Sartre, the existentialist philosopher, launched an "alternative" press agency. They called it "libération" from what they saw as conservative, bourgeois mainstream society and the newspapers which served it.

Its coverage of the social unrest was so valuable that most French newspapers were obliged to take out subscriptions. Spurred by their success, the journalists decided to launch a daily newspaper in 1973.

It would be firmly moulded to reflect their political beliefs. All were paid the same salary, management was by collective participation, and there was to be no advertising.

While Libération had its share of news "scoops", it built a reputation with readers for its anti-establishment line, irreverence, and emphasis on photographs and design.

However, tensions developed during the 1970s between those who wanted to stick to its ideological mission and those who wanted the newspaper to evolve with its readers. The feuds reached a peak in 1981 when the paper ceased to appear for three months – it was off the streets on the day in May that France's first socialist president, François Mitterrand, was elected.

Those who were turning their backs on extremist ideology and wanted Libération to become more like a conventional newspaper – including Mr July – eventually claimed victory. Over the next few years, wage equality went, advertising was introduced, and shares were sold to outside investors.

If the biggest conflicts during the 1970s were political, those of the 1980s were financial. "We became *nouveaux riches*," says Mr Pierre Haski, foreign editor. "We transformed from a corner store into a supermarket without realising it. We had rapid growth and we thought it would continue forever."

The paper launched a series of lossmaking spin-offs, including a newspaper for Lyons, which was felt to be too Parisian in tone. A radio station lasted only a few months because the paper had inadequate resources to support its losses.

The newspaper itself was facing problems, as was the rest of the national daily press. The rise of television, the success of weekly magazines such as L'Express, and the strength of the provincial press all put pressure on national newspaper circulation. This was reflected in the decline in advertising revenues for the national press, which fell from FFr5.71bn to FFr3.87bn in 1994.

After peaking at 200,000 sales a day, Libération's circulation fell during the late 1980s to below 170,000 as demand in Paris began to decline and it failed to attract the younger generation.

In late 1994 it attempted a bold redesign, which proved a disaster. It alienated existing readers and advertisers, and increased costs by hiring new staff and doubling the number of pages at a time when the cost of paper was rising sharply.

Mr Jérôme Seydoux, the left-leaning chairman of Chargeurs, who had already provided financial support in 1994, offered the rescue plan supported by Mr July and accepted on Wednesday night.

By December last year, the plan had led to resignations from the paper's advisory board, a one-day strike and a protest by journalists who left their names from their articles. But with the prospect of closure and assurances that they would retain the right of veto over the appointment of the editor, they had little choice but to accept.

"I'm a bit unsettled about it," says one of the newspaper's journalists. "But we have to be profitable. Unfortunately we can't escape."

CURRENCIES AND MONEY

MARKETS REPORT

Dollar stalls

By Philip Gawith

The dollar yesterday retreated slightly on the foreign exchanges after comments from US automakers and weak US jobs data preyed on sentiment.

A story in the New York Times reported leading car manufacturers as becoming concerned about the dollar's rally against the yen. It said they were considering asking President Clinton to use intervention to cap the dollar, with Y100 cited as an acceptable rate.

The weak jobs report, meanwhile, coming on the heels of the depressed purchasing managers survey released on Thursday, encouraged speculation that the US Federal Reserve might well be forced to cut US interest rates again in March.

A late fillip to sentiment came from Mr Hans Tietmeyer, the Bundesbank president, who told the World Economic Forum in Davos that he saw room for the dollar to rise against the D-Mark. This saw the dollar spike briefly above DM1.49.

Earlier it had closed in London at DM1.4872 and Y106.68, from DM1.4933 and Y107.115.

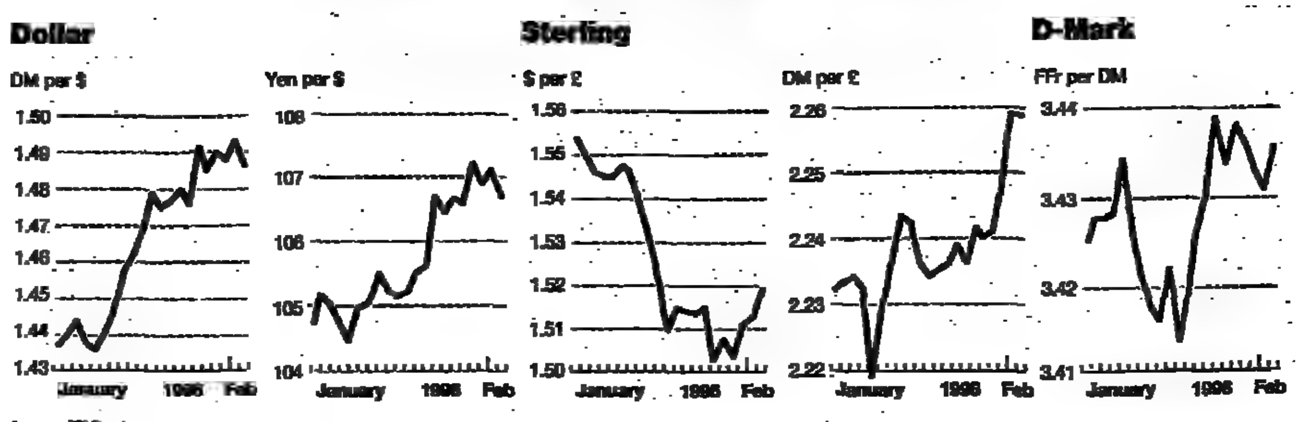
There was little movement to speak of on the European crosses. The lira, which has rallied strongly, paused for a breather, closing at L1,063 against the D-Mark, from L1,058.

■ Pound in New York

Feb 2	---Latest---	-- Prev. close --
£ spot	1.5190	1.5200
1 mth	1.5179	1.5189
3 mth	1.5136	1.5167
1 yr	1.5032	1.5035

The pound hit a four month high against the D-Mark of DM2.2641, before retreating to finish at DM2.2589.

Against the dollar it closed half a cent firmer at $1.5189 from $1.5131.



Source: FT Extel

■ The week ended rather frustratingly for the dollar which had the DM1.50 target in sight all week, but failed to breach it. Underlying sentiment towards the dollar remains positive, but Mr David Cocker, economist at Chemical Bank in London, said: "It is still in trading ranges, but the longer it goes on the more negative I become, because if it can't rally now, it never will."

Mr Peter Farley, currency strategist at MMS in London, said the positive mood had been obstructed by the "whacky" jobs report, which had been severely affected by extreme weather conditions in January. Non-farm payrolls fell by 201,000, against a median forecast of a growth of 75,000 jobs.

"The bond market found it a bit difficult to interpret, and currencies were left in a bit of a quandary as a result," said Mr Farley. The payroll figures were so far from expectations that the market took the easiest route, which was to ignore them.

Mr Cocker said the dollar had started the day at its firmest point, and had thereafter sought to go lower. He said the car manufacturers story had given the dollar a weaker tone, especially against the yen.

The overnight news about the Republican leadership agreeing to extend the debt ceiling, and thus avoiding the prospect of a debt default, was ignored by the market as old news.

Mr Cocker said the foreign exchange market, moreso than the bond market, had all along taken the view that a default was not going to take place.

The market took the concerns expressed by US auto manufacturers more seriously. Analysts at Deutsche Morgan Grenfell in London, said: "We do not believe that pressure from US business is yet sufficient to fashion a change in official US attitudes towards the dollar, but in an election year it is clear the US is not going to sanction a further sharp appreciation of the dollar, especially against the yen where it is now more fairly valued."

POUND SPOT FORWARD AGAINST THE POUND

Feb 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8840	-0.0043	765 - 914	15.9107	15.8677	15.8405	3.3	15.7965	2.2	-	-	108.0
Belgium	(BFr)	46.4313	-0.0058	902 - 723	46.6870	46.3900	46.3263	2.7	46.1213	2.7	45.2813	2.5	108.2
Denmark	(DKr)	8.7357	-0.0017	314 - 400	8.7565	8.7277	8.7224	1.8	8.6982	1.7	8.6005	1.5	109.2
Finland	(FM)	6.9257	+0.0205	187 - 326	6.9600	6.9110	6.9213	0.8	6.9132	0.7	-	-	85.3
France	(FFr)	7.7595	+0.0085	573 - 616	7.7806	7.7514	7.749	1.8	7.7281	1.7	7.6406	1.5	109.2
Germany	(DM)	2.2589	-0.0006	579 - 598	2.2657	2.2552	2.2538	2.7	2.2428	2.9	2.1982	2.7	110.4
Greece	(Dr)	372.407	+0.487	245 - 569	374.973	371.711	-	-	-	-	-	-	65.8
Ireland	(I£)	0.9687	+0.0023	678 - 695	0.9703	0.9666	0.9678	1.1	0.9665	0.9	0.9627	0.6	98.0
Italy	(L)	2399.51	+3.69	858 - 044	2406.38	2392.64	2406.66	-3.6	2421.41	-3.7	2480.56	-3.4	73.8
Luxembourg	(LFr)	46.4313	-0.0058	902 - 723	46.6870	46.3900	46.3263	2.7	46.1213	2.7	45.2813	2.5	108.2
Netherlands	(Fl)	2.5295	+0.0002	283 - 307	2.5430	2.5276	2.5232	3.0	2.5106	3.0	2.4598	2.8	106.1
Norway	(NKr)	9.8590	-0.0012	510 - 669	9.8853	9.8190	9.8489	1.2	9.8274	1.3	9.7462	1.1	96.8
Portugal	(Es)	233.911	-0.241	743 - 078	234.569	233.730	234.336	-2.2	235.241	-2.3	-	-	95.4
Spain	(Pta)	190.115	-0.067	980 - 249	190.713	189.947	190.525	-2.6	191.36	-2.6	194.555	-2.3	82.0
Sweden	(SKr)	10.5586	+0.0223	498 - 674	10.6116	10.5056	10.5606	-0.2	10.564	-0.2	10.5771	-0.2	85.4
Switzerland	(SFr)	1.8513	+0.0089	503 - 522	1.8575	1.8446	1.8445	4.3	1.8315	4.3	1.7796	3.9	112.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.7
Ecu	-	1.2289	+0.0016	284 - 294	1.2321	1.2277	1.2275	1.4	1.2247	1.4	1.2131	1.3	-
SDR†	-	1.04180	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5182	+0.0083	177 - 186	1.5204	1.5167	-	-	-	-	-	-	-
Brazil	(R$)	1.4857	+0.0056	851 - 862	1.4877	1.4841	-	-	-	-	-	-	-
Canada	(C$)	2.0869	+0.0067	860 - 877	2.0890	2.0839	2.0856	0.7	2.0832	0.7	2.0753	0.6	83.7
Mexico	(New Peso)	11.2471	+0.035	293 - 649	11.2662	11.2250	-	-	-	-	-	-	-
USA	($)	1.5189	+0.0058	185 - 192	1.5212	1.5172	1.5178	0.9	1.5156	0.9	1.5045	0.9	96.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0122	-0.0117	110 - 133	2.0313	2.0091	2.014	-1.1	2.0179	-1.1	2.0385	-1.3	88.7
Hong Kong	(HK$)	11.7438	+0.0452	403 - 472	11.7615	11.7317	11.7379	0.6	11.7286	0.5	11.6941	0.4	-
India	(Rs)	55.8178	+0.461	290 - 066	55.9120	55.5190	-	-	-	-	-	-	-
Israel	(Shk)	4.7671	+0.0213	623 - 718	4.7810	4.7580	-	-	-	-	-	-	-
Japan	(Y)	162.031	-0.045	918 - 144	162.880	161.510	161.286	5.6	159.716	5.7	153.741	5.1	136.8
Malaysia	(M$)	3.8769	+0.0079	752 - 785	3.8844	3.8734	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2447	+0.0042	430 - 463	2.2535	2.2400	2.2481	-1.8	2.2565	-2.1	2.2891	-2.0	108.7
Philippines	(Peso)	39.7514	+0.146	194 - 833	39.7900	39.7150	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6966	+0.0218	950 - 981	5.7051	5.6906	-	-	-	-	-	-	-
Singapore	(S$)	2.1538	+0.0056	526 - 550	2.1566	2.1521	-	-	-	-	-	-	-
South Africa	(R)	5.5450	+0.0203	425 - 474	5.5531	5.5401	-	-	-	-	-	-	-
South Korea	(Won)	1186.83	-0.58	640 - 726	1192.74	1185.69	-	-	-	-	-	-	-
Taiwan	(T$)	41.7259	+0.1406	132 - 385	41.7874	41.6836	-	-	-	-	-	-	-
Thailand	(Bt)	38.4801	+0.1306	560 - 041	38.5460	38.4490	-	-	-	-	-	-	-

† Rates for Feb 1 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.4570	-0.0426	554 - 604	10.4845	10.4430	10.4424	1.8	10.4104	1.8	10.2879	1.6	105.9
Belgium	(BFr)	30.5700	-0.12	500 - 900	30.7080	30.5400	30.518	2.0	30.415	2.0	30.055	1.7	107.8
Denmark	(DKr)	5.7515	-0.023	500 - 530	5.7645	5.7460	5.7455	1.0	5.737	1.0	5.759	-0.1	108.2
Finland	(FM)	4.5598	-0.0038	563 - 633	4.5776	4.5458	4.5548	1.3	4.5461	1.2	4.5173	0.9	84.6
France	(FFr)	5.1088	-0.0138	085 - 090	5.1195	5.1040	5.1049	0.9	5.0978	0.9	5.0798	0.6	108.7
Germany	(DM)	1.4872	-0.0061	869 - 875	1.4915	1.4837	1.4849	1.9	1.4799	2.0	1.4611	1.8	109.5
Greece	(Dr)	245.190	-0.61	140 - 240	246.920	244.610	246.865	-8.2	250.115	-8.0	264.94	-8.1	66.3
Ireland	(I£)	1.5680	+0.0022	670 - 690	1.5715	1.5646	1.5685	-0.3	1.5690	-0.2	1.565	0.2	-
Italy	(L)	1579.82	+0.4	957 - 007	1584.58	1575.85	1585.47	-4.3	1596.42	-4.2	1643.32	-4.0	73.5
Luxembourg	(LFr)	30.5700	-0.12	500 - 900	30.7080	30.5400	30.518	2.0	30.43	1.8	30.125	1.5	107.8
Netherlands	(Fl)	1.6654	-0.0062	650 - 658	1.6728	1.6630	1.6623	2.2	1.6559	2.3	1.6337	1.9	107.6
Norway	(NKr)	6.4911	-0.0255	873 - 948	6.5111	6.4675	6.4889	0.4	6.4806	0.6	6.4636	0.4	97.8
Portugal	(Es)	154.005	-0.745	930 - 080	154.390	153.800	154.38	-2.9	155.15	-3.0	158.755	-3.1	95.3
Spain	(Pta)	125.170	-0.52	110 - 230	125.510	125.090	125.565	-3.8	126.3	-3.6	129.79	-3.7	81.6
Sweden	(SKr)	6.9517	-0.0117	475 - 559	6.9857	6.9126	6.9688	-2.9	6.9992	-2.7	7.1307	-2.8	85.1
Switzerland	(SFr)	1.2189	+0.0013	185 - 192	1.2236	1.2140	1.2154	3.4	1.2086	3.4	1.1829	3.0	112.5
UK	(£)	1.5189	+0.0058	185 - 192	1.5212	1.5172	1.5178	0.9	1.5156	0.9	1.5045	0.9	83.2
Ecu	-	1.2360	+0.003	357 - 362	1.2360	1.2320	1.2363	-0.3	1.2367	-0.2	1.2373	-0.1	-
SDR†	-	0.68590	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	-0.0003	995 - 996	0.9999	0.9994	-	-	-	-	-	-	-
Brazil	(R$)	0.9782	-	780 - 783	0.9783	0.9780	-	-	-	-	-	-	-
Canada	(C$)	1.3740	-0.0006	737 - 742	1.3760	1.3719	1.3742	-0.1	1.3743	-0.1	1.3799	-0.4	83.1
Mexico	(New Peso)	7.4050	-0.006	950 - 150	7.4150	7.3900	7.4073	-0.4	7.4104	-0.3	7.4168	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3247	-0.0127	240 - 252	1.3363	1.3242	1.3267	-1.8	1.3302	-1.7	1.3489	-1.8	89.4
Hong Kong	(HK$)	7.7320	+0.0005	315 - 325	7.7330	7.7310	7.7327	-0.1	7.7345	-0.1	7.7615	-0.4	-
India	(Rs)	36.7500	+0.165	000 - 000	36.8500	36.5300	36.9	-4.9	37.205	-5.0	38.675	-5.2	-
Israel	(Shk)	3.1386	+0.0021	362 - 410	3.1446	3.1326	-	-	-	-	-	-	-
Japan	(Y)	106.680	-0.435	630 - 730	107.190	106.230	106.255	4.8	105.39	4.8	102.155	4.2	137.1
Malaysia	(M$)	2.5525	-0.0045	520 - 530	2.5580	2.5510	2.5534	-0.4	2.5595	-1.1	2.583	-1.2	-
New Zealand	(NZ$)	1.4778	-0.0028	771 - 786	1.4815	1.4770	1.4809	-2.5	1.4867	-2.4	1.5113	-2.3	-
Philippines	(Peso)	26.1720	-0.005	570 - 870	26.1870	26.1570	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 507	3.7508	3.7503	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4180	-0.0017	175 - 185	1.4197	1.4170	1.4144	3.0	1.4084	2.7	1.383	2.5	-
South Africa	(R)	3.6508	-0.0005	500 - 515	3.6520	3.6495	3.6795	-9.4	3.731	-8.8	3.9545	-8.3	-
South Korea	(Won)	781.400	-3.35	300 - 500	784.900	780.700	784.4	-4.6	787.9	-3.3	806.4	-3.2	-
Taiwan	(T$)	27.4720	-0.0115	700 - 740	27.4830	27.4690	27.492	-0.9	27.532	-0.9	-	-	-
Thailand	(Bt)	25.3350	-0.01	250 - 450	25.3500	25.3200	25.4337	-4.7	25.6375	-4.8	26.62	-4.7	-

† SDR rate per $ for Feb 1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 1: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 2	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅜	3¼	3¼	3¼	3¼	7.00	3.00	-
week ago	3½	3¼	3⅜	3⅜	3⅜	7.00	3.00	-
France	4¼	4⅜	4¼	4⅜	4¼	4.05	-	5.60
week ago	4½	4⅜	4⅜	4¼	4⅜	4.20	-	5.60
Germany	3⅞	3⅜	3¼	3⅜	3⅜	5.00	3.00	3.30
week ago	3½	3⅜	3⅜	3⅜	3⅜	5.00	3.00	3.55
Ireland	4⅝	4⅝	5⅛	5⅛	5¼	-	-	6.25
week ago	5¼	4⅝	5⅛	5⅜	5⅜	-	-	6.25
Italy	9⅝	9⅝	9⅝	9⅝	9⅝	-	9.00	9.88
week ago	10	9⅝	9⅝	9⅝	9⅝	-	9.00	9.96
Netherlands	3⅜	3	2⅞	2⅞	3	-	3.00	3.30
week ago	3¼	3	3⅛	3⅛	3⅛	-	3.00	3.30
Switzerland	1½	1¾	1¾	1⅝	1⅝	5.00	1.50	-
week ago	1¼	1¾	1¾	1¾	1¾	5.00	1.50	-
US	5¼	5¼	5⅛	5⅛	5	-	5.00	-
week ago	5⅝	5¼	5⅜	5⅛	5⅛	-	5.25	-
Japan	⅝	⅜	⅝	⅜	⅜	-	0.50	-
week ago	⅞	⅜	½	⅝	⅜	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅛	5⅛	5⅛	5⅛	-	-	-
week ago	-	5⅜	5⅛	5⅛	5⅛	-	-	-
US Dollar CDs	-	5.23	5.19	5.12	4.99	-	-	-
week ago	-	5.23	5.18	5.12	4.99	-	-	-
ECU Linked Ds	-	4⅝	4⅝	4⅜	4⅝	-	-	-
week ago	-	4⅝	4⅝	4⅜	4⅝	-	-	-
SDR Linked Ds	-	3⅞	3⅞	3⅞	3⅞	-	-	-
week ago	-	3⅞	3⅞	3⅞	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3¼	3⅜ - 3¼	3⁵⁄₁₆ - 3³⁄₁₆	3⁵⁄₁₆ - 3³⁄₁₆	3⁵⁄₁₆ - 3³⁄₁₆	3⁵⁄₁₆ - 3³⁄₁₆
Danish Krone	4½ - 4	4½ - 4¼	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4¼	4⁷⁄₁₆ - 4¼
D-Mark	3¾ - 3½	3⅞ - 3⅝	3⅞ - 3⅝	3⅝ - 3⅜	3⅝ - 3½	3⅝ - 3½
Dutch Guilder	3⅛ - 3	3⅛ - 3	3⅛ - 2⅞	3 - 2⅞	2⅞ - 2⅞	3⅛ - 3
French Franc	4⅜ - 4⅛	4⅜ - 4¼	4⅜ - 4¼	4⅞ - 4⅜	4⅞ - 4⅜	4⅞ - 4⅜
Portuguese Esc.	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8
Spanish Peseta	9⅛ - 9	8⅞ - 8⅝	8⅞ - 8⅝	8⅞ - 8⅝	8½ - 8⅜	8⅞ - 8⅝
Sterling	6⅜ - 6¼	6⅜ - 6¼	6⅜ - 6¼	6⅜ - 6¼	6⅛ - 6	6⅛ - 6
Swiss Franc	1⅞ - 1⅞	1⅝ - 1½	1⅞ - 1⅝	1¾ - 1⅝	1⅞ - 1¾	2 - 1⅞
Can. Dollar	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛
US Dollar	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5⅛ - 4⅞
Italian Lira	10⅛ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝
Yen	⅜ - ⅜	⅜ - ⅜	⅜ - ⅜	½ - ⅜	⅝ - ½	⅝ - ½
Asian $Sing	1⁷⁄₁₆ - 1⁵⁄₁₆	1⅝ - 1½	2⅛ - 2	2⅛ - 2	2⅜ - 2¼	2⅝ - 2½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.58	95.55	-0.03	95.59	95.50	29,945	63,792
Jun	95.79	95.75	-0.03	95.79	95.70	5,912	54,012
Sep	95.79	95.75	-0.03	95.79	95.70	4,213	42,278

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.79	96.81	-	96.82	96.78	13932	174541
Jun	96.91	96.88	-0.02	96.91	96.87	26753	177414
Sep	96.82	96.79	-0.04	96.83	96.77	27681	157624
Dec	96.63	96.56	-0.07	96.63	96.53	25739	146771

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.67	90.68	-0.01	90.71	90.61	11921	46054
Jun	91.29	91.29	-0.01	91.35	91.21	5636	29579
Sep	91.49	91.54	-0.02	91.59	91.49	1204	17115
Dec	91.56	91.56	-0.03	91.62	91.56	664	9779

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.16	98.09	-0.15	98.19	98.06	7739	22986
Jun	98.10	97.95	-0.22	98.14	97.93	6631	21138
Sep	98.00	97.77	-0.26	98.00	97.76	3119	10871
Dec	97.75	97.53	-0.32	97.75	97.55	847	5336

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.47	95.49	+0.01	95.49	95.45	1201	6778
Jun	95.59	95.60	-0.01	95.61	95.58	782	5008
Sep	95.57	95.60	-0.01	95.60	95.57	233	3179
Dec	95.45	95.47	-0.01	95.47	95.44	164	3041

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	16.71	4.865	2.087	5167	5.449	21.23	503.8	409.4	22.74	3.987	2.154	4.495	3.272	349.0	2.647
Denmark	(DKr)	53.15	10	8.883	2.586	1.109	2746	2.896	11.29	267.7	217.6	12.09	2.119	1.145	2.389	1.739	185.4	1.407
France	(FFr)	59.83	11.26	10	2.911	1.249	3091	3.260	12.70	301.4	245.0	13.61	2.386	1.289	2.689	1.957	208.8	1.584
Germany	(DM)	20.55	3.867	3.435	1	0.429	1062	1.120	4.364	103.5	84.15	4.675	0.819	0.443	0.924	0.672	71.71	0.544
Ireland	(I£)	47.92	9.015	8.008	2.331	1	2476	2.611	10.17	241.4	196.2	10.90	1.910	1.032	2.154	1.568	167.2	1.268
Italy	(L)	1.935	0.364	0.323	0.094	0.040	100.	0.105	0.411	9.750	7.924	0.440	0.077	0.042	0.087	0.063	6.750	0.051
Netherlands	(Fl)	18.35	3.453	3.067	0.893	0.383	948.2	1	3.897	92.45	75.14	4.174	0.732	0.395	0.825	0.600	64.03	0.486
Norway	(NKr)	47.09	8.861	7.871	2.291	0.983	2433	2.566	10	237.2	192.8	10.71	1.877	1.014	2.117	1.541	164.3	1.247
Portugal	(Es)	19.85	3.735	3.318	0.966	0.414	1026	1.082	4.215	100.	81.27	4.515	0.791	0.428	0.892	0.649	69.26	0.525
Spain	(Pta)	24.42	4.595	4.082	1.188	0.510	1262	1.331	5.186	123.0	100.	5.555	0.974	0.526	1.098	0.799	85.22	0.647
Sweden	(SKr)	43.97	8.273	7.348	2.139	0.918	2272	2.396	9.336	221.5	180.0	10	1.753	0.947	1.976	1.438	153.4	1.164
Switzerland	(SFr)	25.08	4.720	4.192	1.220	0.524	1296	1.367	5.326	126.4	102.7	5.705	1	0.540	1.127	0.821	87.52	0.664
UK	(£)	46.43	8.736	7.760	2.259	0.969	2399	2.530	9.859	233.9	190.1	10.56	1.851	1	2.087	1.519	162.0	1.229
Canada	(C$)	22.25	4.186	3.718	1.082	0.464	1149	1.212	4.724	112.1	91.09	5.060	0.887	0.479	1	0.728	77.62	0.589
US	($)	30.57	5.751	5.109	1.487	0.638	1579	1.666	6.490	154.0	125.1	6.952	1.219	0.658	1.374	1	106.6	0.809
Japan	(Y)	28.66	5.393	4.790	1.394	0.598	1481	1.562	6.086	144.4	117.3	6.519	1.143	0.617	1.288	0.938	100.	0.759
Ecu		37.78	7.108	6.314	1.838	0.788	1952	2.059	8.022	190.3	154.7	8.592	1.506	0.814	1.698	1.236	131.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Feb 2	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.205	-0.169	-2.02	4.47	16
Netherlands	2.15214	2.11280	-0.00472	-1.83	4.26	14
Belgium	39.3960	38.8825	+0.0121	-1.30	3.71	10
Austria	13.4383	13.3008	+0.0065	-1.02	3.41	7
Germany	1.91007	1.89141	+0.00067	-0.98	3.37	10
Portugal	195.792	195.996	-0.01	0.10	2.25	-1
Denmark	7.28580	7.31550	-0.00005	0.41	1.94	-3
France	6.40608	6.49718	+0.00455	1.42	0.92	-12
Ireland	0.792214	0.810883	-0.000302	2.36	0.00	-16
NON ERM MEMBERS						
Greece	292.867	312.179	+0.211	6.59	-3.98	-
Italy	2106.15	2010.41	-0.5	-4.55	7.23	-
UK	0.786652	0.837091	-0.002084	6.41	-3.81	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6748	0.6740	+0.0001	0.6750	0.6722	34,420	88,509
Jun	0.6770	0.6772	-	0.6780	0.6767	116	3,641
Sep	-	0.6802	-	-	-	15	1,326

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9423	0.9446	+0.0029	0.9463	0.9390	15,291	80,697
Jun	0.9532	0.9545	+0.0023	0.9570	0.9532	380	5,261
Sep	-	0.9625	-	-	-	49	728

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8280	0.8238	-0.0031	0.8280	0.8225	16,626	44,813
Jun	0.8300	0.8316	-0.0022	0.8340	0.8296	185	1,420
Sep	-	0.8360	-0.0039	-	0.8360	87	174

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5196	1.5174	+0.0008	1.5206	1.5164	12,221	51,062
Jun	1.5160	1.5150	+0.0014	1.5160	1.5140	10	289
Sep	-	1.5110	+0.0008	1.5120	-	4	5

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.500	2.10	2.60	3.09	0.25	0.93	1.49
1.510	1.36	2.02	2.51	0.52	1.30	1.81
1.520	0.77	1.49	2.04	0.88	1.78	2.30
1.530	0.35	1.06	1.59	1.47	2.35	2.81
1.540	0.21	0.73	1.24	2.23	2.78	3.44
1.550	0.08	0.48	0.93	3.06	3.52	4.13

Previous day's vol., Calls 2,036 Puts 5,835 . Prev. day's open int., Calls 166,236 Puts 210,407

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.79	94.82	+0.04	94.82	94.78	72,220	421,885
Jun	95.14	95.22	+0.08	95.22	95.15	97,868	438,064
Sep	95.30	95.37	+0.08	95.37	95.28	88,445	308,231

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.26	95.29	+0.05	95.31	95.26	810	8,744
Jun	95.57	95.63	+0.07	95.63	95.56	336	6,659
Sep	95.75	95.78	+0.06	95.78	95.75	38	759

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9675	0.06	0.10	0.19	0.22	0.02	0.04	0.06	0.09
9700	0	0.02	0.05	0.08	0.19	0.21	0.17	0.20
9725	0	0	0.01	0.03	0.44	0.44	0.38	0.40

Est. vol. total, Calls 13596 Puts 11609. Previous day's open int., Calls 293013 Puts 272869

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9800	0.19	0.19	0.20	0.10	0.24	0.43
9825	0.06	0.08	0.11	0.24	0.38	0.59
9850	0.02	0.03	0.06	0.45	0.58	0.79

Est. vol. total, Calls 0 Puts 1. Previous day's open int., Calls 8145 Puts 4240

UK INTEREST RATES

LONDON MONEY RATES

Feb 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¹¹⁄₁₆ - 6½	6⁷⁄₁₆ - 6⁵⁄₁₆	6⁵⁄₁₆ - 6³⁄₁₆	6⁵⁄₁₆ - 6³⁄₁₆	6³⁄₁₆ - 6¹⁄₁₆	6⅛ - 6
Sterling CDs	-	-	6⅜ - 6¼	6⅜ - 6¼	6¹⁄₁₆ - 6	6¹⁄₁₆ - 6
Treasury Bills	-	-	6⅛ - 6⅜	6⅛ - 6	-	-
Bank Bills	-	-	6⅛ - 6⅜	6⅛ - 6	5¹⁵⁄₁₆ - 5¹³⁄₁₆	-
Local authority deps.	6¼ - 6⅛	6¼ - 6⅛	6⅜ - 6¼	6¼ - 6⅛	6⅛ - 6¹⁄₁₆	6⅛ - 6
Discount Market deps	6½ - 6	6⅜ - 6⅛	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 5.9868pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 31, 1996. Agreed rate for period Feb 26, 1996 to Mar 25, 1996, Schemes II & III 7.69pc. Reference rate for period Dec 30, 1995 to Jan 31, 1996, Schemes IV & V 6.440pc. Finance House Base Rate 6.5pc from February 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.90	93.88	-0.02	93.92	93.88	6024	85038
Jun	94.12	94.12	-0.02	94.15	94.10	14368	77458
Sep	94.12	94.11	-0.02	94.15	94.09	9492	86883
Dec	93.93	93.92	-0.03	93.97	93.90	9522	44755
Mar	93.66	93.63	-0.03	93.67	93.61	4225	31993

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9375	0.16	0.44	0.54	0.04	0.07	0.18
9400	0.04	0.26	0.37	0.15	0.14	0.26
9425	0.01	0.13	0.24	0.37	0.26	0.38

Est. vol. total, Calls 4251 Puts 6500. Previous day's open int., Calls 132610 Puts 140711

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

● Members of London Investment Banking Association
* In administration

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9050	0.30	0.93	1.29	0.11	0.14	0.25
9075	0.16	0.73	1.09	0.24	0.19	0.30
9100	0.09	0.57	0.90	0.40	0.26	0.38

Est. vol. total, Calls 680 Puts 100. Previous day's open int., Calls 19634 Puts 16791

■ OTHER CURRENCIES

Feb 2	£	$
Czech Rp	41.3229 - 41.3572	27.2130 - 27.2230
Hungary	215.414 - 215.950	141.880 - 141.910
Iran	4557.80 - 4555.50	3000.00 - 3000.00
Kuwait	0.4548 - 0.4565	0.2996 - 0.2998
Poland	3.8681 - 3.8740	2.5480 - 2.5500
Russia	7191.89 - 7193.13	4734.00 - 4737.00
U.A.E.	5.5767 - 5.5800	3.6725 - 3.6730

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies & Finance in Monday's edition.

هكذا من الأصل

Weekend FT

China books its seat at the cinema

Nigel Andrews charts the rise and fall of Hong Kong film-making – and asks what is likely to happen when the colony is handed back to the mainland next year

Once it was the Hollywood of the east, a marvel of high-flying, low-budget action cinema, producing films at the rate of four a week during the 1970s and 1980s.

Hong Kong's movies were made on a song, a prayer and a stunt-trampoline. Gravity-defying heroes cartwheeled through the air. Bruce Lee, who sold more movie tickets and videos than any action star in history, squawked, grimaced and made serpent gestures before leaping feet first at villains.

Some of these movies were stylish and lyrically original, such as King Hu's *A Touch Of Zen*, which won a Cannes Golden Palm. This was also the only entertainment form that popularised oriental myths and manners to a mass public around the world.

Then the drugs barons, the money launderers and carpet-bagging producers moved in. The world experienced Kung fu fatigue and box office revenues went into a decline.

Now, the Hong Kong cinema faces new uncertainties of some importance to the world. To the north the Chinese Republic sits vast and patient as Buddha, eyeing a territory that is still the world's second largest exporter of films after the US. The era of Bruce Lee is over, but Hong Kong's new film-makers still win applause at festivals and still make world hits such as last year's pop-romantic comedy *Chungking Express*.

What will the Communist giant make of Hong Kong's formidable talents after it takes over the British Colony in 1997? Will it try to swallow the action movie into an ideological maw under bureaucratic control? Or will Hong Kong be able to satisfy China's immense appetite for films in its own way, infiltrating its own values of freedom and enterprise?

Certainly there will be big struggles with the censors, and the battle has already begun as film-makers move from the high costs and corruption of Hong Kong to the Chinese mainland.

The opportunities are huge. In this land of more than a billion people, 5bn tickets are sold each year. The Chinese people go to the movies twice as often as the average American and four times as often as the average Briton.

Some of Hong Kong's film-makers see 1997 merely as the year in which one group of exploiters replaces another. Before Beijing there was Britain, a country now flying off without leaving its ex-subjects; including those endangered crusaders for free speech called artists, any free-world refuge.

Under British rule, Hong Kong's film industry was unassisted and suffered official neglect. So how did it produce, for 20 years, this prodigy of a film culture?

Wellington Fung, the friendly, owlish-eyed director of Media Asia, a production-distribution company set up to do cross-border business as 1997 approaches, says: "In the 1980s, all the film buyers from Asia and round the world came to Hong Kong carrying cash. Literally.

"I remember one Korean guy came in, opened a case full of US dollars and said, 'I want that star and that film.'" Hong Kong movies seldom had good scripts but they had "great direction, design, photography, and action scenes like nothing else in the world."

They also had a new *style* of action. Balletic, airborne, surreal, and delivered by charismatic performers such as Bruce Lee, an ex-martial arts trainer who did all his own stunts, or the beautiful Hsu Feng, a warrior-heroine who *looked* as if she did all her own stunts. She starred in the one undisputed Hong Kong masterpiece, *A Touch Of Zen*.

"King Hu, the director, gave us six months' training in kung fu," she tells me. "So we were able to do many of the fights and stunts ourselves. But trick photography was also used. More and more in later Hong Kong cinema this was done out of laziness rather than necessity."

The "laziness" was not confined to screen stunts. One reason Hong Kong cinema tottered into crisis in the late 1980s was the reliance on formula.

According to John Woo, whose cult action movies such as *The Killers* and *Hard Boiled* have earned him a passport to Hollywood: "There was a theory about how to make these movies. You would have a certain type of climax every three minutes; a big spectacular action scene every 10 minutes. Then after each shoot-out or explosion you would have a quiet moment of emotional drama or comic relief."

Rules were fine if, like Woo, you improvised deliriously around them. But as fatigue and repetition set in among poorer directors, audiences began to abandon the cinemas for home video and (today) LaserDiscs.

"The interval between a film's theatrical opening and its release on video or LD used to be a year," I was told by producer-distributor Hoi Wong of First Film Organisation. "Now it's as little as a month or two weeks. So why should people go to see a film on the big screen?"

The only releases they still flock to are American movies. For the first time in a generation, Hollywood has overtaken the home country at the box office.

Director Yim Ho, whose praised crime psychodrama *The Day Sun Turned Cold* opens soon in Britain, claims: "It's because America started making 'Hong Kong movies' better than us. If you see a film by Tarantino, it's like an Oriental action film made with money. The violence is very violent, the sex very erotic. Hong Kong films used to be laughed at for their exaggerations. But now the west does the same and people love it!"

The decline of the action film is a disaster for an industry such as Hong Kong's. "It's the best genre for us, because it can show all through Asia and the world," says Raymond Chow, head of Hong Kong's largest studio, Golden Harvest. "It's difficult to do a love story or human interest film and make it international, because of the different cultures and languages."

But brute business factors as well as cultural ones led to the movie decline. The main accusing finger is pointed at the Triad gangs.

"In the late 1980s," says Mabel Cheung, a leading film director, "the Triads saw all this money being made and came into the business. But they had no creative background. They saw a 'formula' and kept churning out the same films."

And they terrorised anyone trying to stop them. At the police service's Organised Crime and Triad Bureau, a squat white building in downtown Hong Kong resembling a south-Asian Alamo, Detective Inspector Tony Deakin tells me why he and others set up a Special Investigation Team in late 1993.

"It was to deal with gang involvement in cinema after the violent murder of two producers. The Triads came into the film business because it was so easy, with such big rewards. All you needed to start a movie was a third of the cast and crew's wages, which you could get by pre-sales to other Asian countries. You could guarantee those simply with a star's name.

"So the stars were approached and put under pressure but many were under contract to other companies. They came to us for protection, which we gave. Even on film sets we would have at least one officer around to make sure the star didn't get chopped or attacked."

One actor, though, had a dead cat thrown into his garden as warning, and one actress had a producer acquaintance murdered. Even late last year, with Triad interest supposedly dwindling in a less prosperous industry, a leading film-maker was attacked and stabbed. After initially contacting the Triad bureau, he stayed silent when police visited him in hospital.

Deakin says that the two Heung brothers who founded

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Joe Rogaly

Talks big, acts small

The government penny-pinches where it can do the most damage

Britain should spend more on promoting its language, its values, its culture, its presence in the world. It should put serious money into exploiting these intangible assets. If it was a company, the value placed on goodwill would set its balance sheet ablaze.

You agree? Of course you do. Any institution would be dotty were it not to invest in success. Whoops. The British government is *cutting* expenditure on external services such as the BBC, the British Council and aid. To this injury it is adding an insult a day to foreigners.

This is unlikely to drum up as much new business as may be available out there. The golden rule of trade never varies. If it sells, push it, advertise it, pile it high on the counter. You do not hear the Pope arguing against conversions to Catholicism. Bill Gates never stops peddling Windows. Coca-Cola is not keeping quiet about its fizzy nectar. Does Her Majesty's government pursue an equally clear-sighted objective? Well, er...no. It does not.

The reason is not stupidity, or, rather, not stupidity alone. It is muddle, that ineradicable trait that is part of the beloved English character. The government is unclear about Britain's significance. Is it a global player, the planet barely large enough to meet its ambitions, or is it not? Its words say "yes", its actions "maybe".

At the next election the Conservatives will fly the flag popularly known as the Union Jack, proclaim greatness on the world stage, swear to preserve the sovereignty of the nation, boast of an export-led recovery, sell their party to Europhobes as if the loss of empire was merely a little local difficulty.

That is not all. The prime minister will say that Labour's proposal to devolve responsibilities to a Scottish assembly threatens the cohesion of the UK. If the island entity was split into its four constituent nations, none, not even England, would carry the clout of the original. Certainly not Scotland, Wales or Ulster. John Major used this line on his soapbox in 1992. He thought it helped the Tories win the election.

In short, the government talks big. Alas, it sometimes acts small. In the 1980s university fees for foreign students were marked up. Brilliant. At a stroke the potential for making alliances with the future business and political leaders of friendly countries was minimised. In the 1990s the Tory government has taken great trouble to acquire a reputation for disliking outsiders, be they asylum-seekers, would-be immigrants, or, most reprehensible of all, pro-European Europeans. *Magnificent*. New friends all round.

Then, in its search for budget cuts in every nook and cranny of its administration, this cabinet of bean-counters lit on the BBC world service. It knew not what it touched. In a debate in the commons on January 16 the foreign secretary was obliged to promise that if the proposed budget proved too tight to maintain output at present levels, he would think again. The argument was about peanuts, £30m or so. This for the most successful, and trusted, global radio station ever known.

> We can take it that the urge to be 'great' persists, even if its nature is elusive

In the 1960s it paid me eight guineas a time for broadcast comments. Many of us owe it. An imaginative ministry might have doubled its subsidy, to enable the corporation to defend its lead against an expected rush of satellite-based competitors, not to mention whatever new technology may dream up.

The British Council promotes British culture in more than 100 countries, and earns part of its revenue from teaching English and similar activities. It is now faced with a 28 per cent cut in Overseas Development Administration grants over the next three years. Another bag of peanuts for the Treasury.

Larger sums are to be saved from the continued squeeze on foreign aid, which the prime minister formerly protected. Britain spends less than half as much on aid as Germany. The Tories, like their Republican counterparts in the US, are getting ratty about giving to the poor.

The government could counter the above accusations. The number of overseas students in the UK has more than doubled over the past decade. Margaret Thatcher supported a sharp rise in BBC world service spending. There may be fat in the British Council accounts; in any case private companies are teaching English with great success. The foreign aid budget is still the world's fifth largest in absolute terms albeit, at 0.31 per cent, only 13th largest as a share of GNP.

Better yet, inward investment is running thick and fast. Speaking for the government on Wednesday, Lord Fraser of Carmyllie said that more than 40 per cent of US, Canadian and Japanese investment, more than half Korean and above 55 per cent of Taiwanese investment in the European Union comes to the UK. He cited a "pro-business environment and the English language" as two of the principal attractions.

Let us accept his lordship's explanations and excuses. They tell us that the government is aware of the value of spreading the good word about the UK, that it is not wholly mad. We can also take it that the urge to be "great" persists, even though the precise nature of "greatness" remains elusive. Fine. A few fundamental questions remain. Why, if it knows about what leads to success abroad, does the government penny-pinch where it can do the most damage? Why is it hooked on private finance in all circumstances? Why is it intermittently xenophobic?

The answers are plain, if ignoble. It wants to save money so it can cut taxes and win votes. Its anti-foreign talk is targeted at the racist vote. It is divided on the EU. These base motives muddle the government's visionary objective, said by the prime minister to be to make Britain the enterprise centre of Europe. It is a nice slogan. Pity about the facts.

PERSPECTIVES

The Nature of Things

Anxious? Nothing to worry about

Andrew Derrington on how a state of mind can become a mental prison – and the treatments available

Anxiety is a natural mental state that should be familiar to all of us. We need it. Without it we would be unable to motivate ourselves to avoid unpleasantness or danger.

But for many people, anxiety is a burden that dominates their whole life. The most common anxiety disorders are panic attacks, phobias and the pervading sense of worry about everything known as "generalised anxiety disorder". Sometimes anxiety is a consequence of depression or another mental illness, but about one in every 12 people will at some time suffer from what Bill Deakin, professor of psychiatry at Manchester University, calls a "primary morbid anxiety state" – a disorder serious enough to be treated as an illness.

In spite of these alarming statistics, anxiety is really nothing to worry about. "It's extremely unlikely that panic leads to madness," says Deakin. And scientists now understand a great deal about how anxiety is caused and how it can be treated. Advocates of drug treatments see anxiety as a chemical deficiency in the brain circuits that control our reactions to unpleasant events – "aversive stimuli" in the jargon of the trade. Behavioural treatments are based on the premise that anxiety is a mental state that patients can learn to control. Both approaches have a very high success rate.

Deakin defines anxiety as "the subjective state elicited by aversive stimuli". The symptoms – apprehension, increased heart rate, sweaty palms, rapid breathing and so on – are all part of the body's "fight or flight" reaction that prepares us mentally and physically to take strenuous action to escape. The most common natural stimuli to elicit these reactions are pain and asphyxia.

"Treating panic attacks is very straightforward," says Deakin. The brain system that controls anxiety is held in check by other circuits that use the chemical messenger serotonin. Antidepressant drugs, particularly those such as the selective serotonin reuptake inhibitor (SSRI) Prozac, are effective treatments for anxiety. "Antidepressants are more effective on panic than on depression," says David Nutt, a psychiatrist from Bristol University.

SSRIs increase the level of serotonin by preventing brain cells from re-absorbing it once it has been released. Consequently the anxiety-inhibiting message carried by serotonin increases in strength and persistence. However, this increase is gradual and may be erratic. "SSRIs can switch off serotonin neurones at first," says Deakin.

Moreover there are several different circuits that use serotonin as a messenger, and they may have different functions. This may explain why in the early stages of treatment antidepressants may make anxiety worse.

Nutt thinks anxiety might be understood by studying other chemical messenger systems in people who suffer from panic attacks. He is recruiting volunteers* for a brain-scan study of a messenger called Gaba, which will be carried out at the MRC Cyclotron unit in Hammersmith.

But drugs are not the whole story, and there may be good reasons for preferring behavioural treatments. "The downside of drug treatment is that the patient depends on drugs and doesn't learn anything," says Christopher Bass of the John Radcliffe Hospital in Oxford. "About 50 to 70 per cent of patients relapse and need drugs again. If you have a cognitive treatment you learn strategies for coping with your disorder, and you always have them."

What usually happens in panic attacks, says Bass, is that the patient misinterprets a trivial symptom – like a very slight twinge of chest pain – as heralding something catastrophic, like a heart attack. Thinking about the impending heart attack brings on more anxiety with its normal symptoms like a racing heart, perspiration and overbreathing. These symptoms trigger more thoughts of disaster as they seem to be confirming the patient's worst fears, and can also trigger other sensations like the lightheadedness that results from overbreathing.

Bass describes the cognitive treatment for panic as "drawing out a panic fish-hook. You dissect a panic attack and get a patient to challenge his or her beliefs," he says. "The key thing is to get patients to see that their worst fears are unfounded." Bass also helps patients to experiment, to see how their symptoms are generated by their feelings, and how they can be controlled.

Cognitive treatments for anxiety disorders are very specific. "It isn't just a matter of pulling yourself together," says Ian Hindmarch of the University of Surrey.

"There are specific treatments for panic and for generalised anxiety disorders, and one is being developed for social phobia," says Bass. "But it's crucial to realise that the two theories of anxiety [brain chemistry versus misinterpreted symptoms] are not mutually exclusive."

Most patients can be treated either with drugs or with cognitive therapy. I asked Bass how he chooses which treatment to use in any individual patient. "That's easy: we all ask the patient now."

■ *The author is professor of psychology at the University of Nottingham.*

**To volunteer, tel: 0117-925 3066.*

Waiting game: Triddy Jackson outside the Clerkenwell Workshops

Brendan Corr

Minding Your Own Business

Bazaar with a difference

Tim Minogue visits a former warehouse that has become the focus for dozens of small companies

When singer Barry Manilow needed a new stage costume, when the braiding around the Queen's cushions began to unravel and when the makers of television's *Absolutely Fabulous* wanted some super sandwiches to help the champagne go down on location, they all found what they were looking for in a decrepit-looking former warehouse in Clerkenwell, near the City of London.

As if in some oriental bazaar, a bewildering range of goods, skills and services is to be found in the small light industrial units in Clerkenwell Workshops, set up 20 years ago by Michael Franks, an architect, Michael Murray, a silversmith, and Neil Jackson, a former airline pilot.

They saw a business opportunity in establishing low-cost premises where the traditional trades of the district, such as clock-making, printing and jewellery, might survive.

Since 1975 the number and nature of the businesses in the Workshops has expanded far beyond that original concept. More than 400 people work in 155 small units. Graphic artists, illustrators and animators work on cartoon films. Young designers produce hats, dresses, knitwear, theatrical costumes, wigs and, in one unit, "semi-fetishistic" rubberware.

Guitars, harpsichords, harps, pianos and violins are made and restored. High-class caterers specialise in film and TV work. If you want a book bound in glass with live fish swimming about inside the cover, a "side-by-side" tandem, or the family mausoleum restored, someone there can do it. Some companies which started life with a bright idea here have moved on to become well-known names, such as Nikwax waterproofing and Trax lighting systems.

Twenty years ago Clerkenwell was in decline. Rising rents and contracting markets were forcing out traditional trades; the future seemed to belong to the bulldozer and the high-rise office block.

In 1975 Franks, Murray and Jackson set up a company, Urban Small Space Ltd, and took a lease on a semi-derelict 60,000 sq ft former school stationery store.

Its owners, Greater London Council, let it at a peppercorn rent after hearing their plans for creating scores of jobs by encouraging small businesses engaged in skilled trades and crafts.

The idea was straightforward: craftsmen paid a simple monthly licence fee to rent basic workshop space. There were no large deposits, rates or service charges. Tristram (Triddy) Jackson, 27 (Neil Jackson's son), and Luke Considine, 30, are now in charge of the workshops' day-to-day running.

"The attraction was that someone with £200 and a skill could start up and take a bit of a chance without risking everything," says Triddy Jackson.

The first licensee was a watch glass manufacturer. He was followed by a silversmith, a printer, a carpenter and a jewellery finishing shop. Interest grew after it became apparent that the idea was working. In 1978 a 25-year lease was signed with the GLC at £35,000 per annum, subject to five-yearly reviews.

By the mid-1980s Franks and Murray had moved on. The sole directors were, and remain, Neil Jackson and his wife Olive. The emphasis had moved away from light industry to up-market, high-quality crafts. Jewellery remained the "backbone" trade in the building, accounting for about 30 per cent of the space, as it still does.

With the building full and USS prospering, Neil Jackson had achieved his dream of helping to revive Clerkenwell. But the area's renewed prosperity created a threat to USS and the small businesses on which it depended, as property prices rose and regeneration was followed by gentrification.

Trendy bars and restaurants began to appear and the area looked in danger of turning into another Covent Garden.

The threat crystallised in 1988 when, in the aftermath of the abolition of the GLC, the London Residuary Body sold the building at auction to property company Burford Holdings plc for £3m.

"We had been hoping to buy the freehold for about £1m, but were blown away by Burford," said Triddy Jackson. At the time of the sale, the 1988 rent review was imminent. Burford wasted no time in demanding £650,000 a year.

"We had thought £100,000 might be fair. Burford thought the building could generate a lot more. There was no common ground, so we reluctantly decided to go to arbitration."

More than four years later, in July 1993, an independent arbitrator delivered judgment: the annual rent should be £110,000 – just £10,000 more than USS had offered. "We owed £300,000, backdated to 1988. But we had started raising the rental income on the building back in 1985, in anticipation of having to pay more ourselves, so we already had that money in the bank."

Jackson believes, because of the precedent set by the arbitration, that huge rent rises are a thing of the past.

Last year, USS showed a small loss on a turnover of £613,000. Now it hopes to persuade Burford to sell the freehold.

Jackson said: "At the moment the building is not making much for them, but they may be content to sit back and wait for the lease to expire in 2003 so they can redevelop. If they do agree to sell, our problem will not be in raising the money, but how we can maintain Clerkenwell Workshops as a home for skilled craftsmen and designers, which we are committed to doing, while having to service a large loan. If necessary we will look at alternative uses for part of the building, such as flats, to generate extra income."

It would be ironic if a company which has valiantly stuck up for the little man against the property developers were itself forced to turn to property development in order to survive.

■ *Urban Small Space Ltd, 31 Clerkenwell Close, London EC1R 0AT. Tel: 0171-251 4821.*

Truth of the Matter / **Philip Crowe**

Christian disunity

One evening, I walked along El-Wad Street, which runs from the Damascus Gate towards the Western Wall in the old city of Jerusalem, accompanied by eight women, of varying ages. We stopped at one of the few Arab stalls still open.

The owner looked at me, then at the women, then back at me. My wife answered immediately. "I am his wife," she said firmly. "These are just friends." He laughed loudly, and looked at me with even greater admiration. But when we bought something, and my wife paid for it, he was deeply puzzled.

"Your wife," he said, in some amazement, "she has the money?" Two nights later I walked along the same street, this time with my wife and just two others. The same man looked at my diminished harem, and said, with sympathy and more laughter: "You get tired. You have not enough strength."

Changing tack, I asked him how the stallholders managed to greet tourists in their own languages. Whether they were English, American, German or French, they nearly always got it right. "It's the shoes," he told me. "We look at the shoes."

There is a disease, well-documented, called Jerusalem fever. I suspect that I may be suffering from it. The city is vibrant, and endlessly fascinating. It exerts a mysterious pull and I succumb every year, usually in January when there are few tourists about.

This week I am staying inside the Old City itself, just yards from the Damascus Gate. The call of the minaret wakes me at about 4.30am. Even at that hour, it is a wonderfully evocative sound.

On the surface, Palestinian Arabs in East Jerusalem are cheerful and courteous, and they will fleece unsuspecting tourists of whatever nationality with politeness and great good humour. But below the surface, there is sadness, resentment and resignation.

The remnants of recent elections to the new Palestinian Council lie around East Jerusalem. Posters are covered in graffiti and leaflets litter the streets. A great many Palestinians, particularly in Jerusalem, wonder what difference the new council will make. But at least it is a start.

This year the Jews celebrate the anniversary of the year when King David first established Jerusalem as the capital of the Jewish people, thought to be 3,000 years ago.

Last Saturday, a man held up a placard in East Jerusalem which read: "Jerusalem, one city under God". He was a Jew, demonstrating against the elections. To him, the one city must be under Jewish rule, and must be devoted to the Jewish understanding of God.

Jerusalem is the most religious city in the world. It is also the most divided. Yesterday, the first Friday in Ramadan, I prayed with the Moslems within sight of the Dome of the Rock. Today, I go to the Great Synagogue to pray with the Jews. I choose this synagogue, in spite of its pretentious American grandeur, because of the beauty of the singing and the extraordinary voice of the cantor.

Tomorrow, I will attend an Arab Christian service in St George's Cathedral. Of the three gatherings, it will be by far the smallest, because Arab Christians have left the Holy Land in droves.

Religion may be a great force for good, for truth and for justice. It is also a cause of deep and bitter hatreds. The Moslem extremists of Hamas, and the Orthodox extremists among the Jews, both claim divine sanction for the attempt to obliterate each other.

Israel's Declaration of Independence bravely states: "The development of the country, for all its inhabitants, will be based on the principles of liberty, justice and peace, as conceived by the prophets of Israel."

Those prophets were concerned not with survival, nor with victory, but with justice. At last, after long years of grave injustice, Israeli Jews and Palestinian Arabs, whose claim to the land is equally strong, are beginning to listen to one another, to recognise each other's humanity, and to make peace; which is more than can be said for the Christian church.

It was simply a coincidence that the Palestinian elections took place last Saturday in the middle of the Week of Prayer for Christian Unity, but it was a telling coincidence.

While the Israelis and the Palestinians are beginning to look one another in the eye, and are learning to make peace, however tentatively, the Christian churches have passed without blinking through yet another Week of Prayer, while doing virtually nothing which might actually achieve unity.

Jerusalem is studded with Christian church buildings. Every variety of Christian tradition has a presence in the city. The whole disaster of Christian disunity is focused in the Church of the Holy Sepulchre, and more particularly, in a ladder.

It is a short, weather-beaten ladder, which leans against a window on the front of the Church. It has been there for years. The story, told with varying embellishments by all the guides, is that a window cleaner went for lunch leaving his ladder, and never came back.

The ladder has remained there simply because the various Christian churches which have a stake in this most sacred place cannot ever agree about anything. Removing a ladder is beyond them. The keys to the church are held by a Moslem family because the Christians cannot agree which of them should unlock the door.

While Palestinians and Jews recognise that they cannot continue as they are, the Christian churches are so used to their disunity that it causes little real concern. Perhaps the kingdom of God is to be found more among the peace makers, in the voting booths, and on the streets of Jerusalem, rather than in the institutional churches; for how can a broken and divided church possibly serve the peace and unity of a *divided* and broken world?

Continued from Page I

China books its seat at the cinema

Win's Film Company are closely related to Hong Kong's leading Triad family. (Their father was prosecuted and found guilty for Triad-related offences.) Deakin estimates that this gang, the Sun Yee On, the largest in Hong Kong, has 40,000 members. "We've heard they've been successful in setting up film-related companies in China, through contacts with Beijing government officials."

So could the Triads still flourish after 1997? "If I were head of a Triad society, I would welcome 1997 with open arms. Bribing a Hong Kong official is hard, bribing a Chinese official is comparatively easy."

However, when film directors flee from high costs and gang harassment in Hong Kong to set up co-production cameras in China – as more do each year – they encounter a jungle of Communist red tape.

Stanley Kwan went to Shanghai to make the internationally praised *Red Rose, White Rose*, a darkly erotic love story. "First you have to submit the script for censorship, later the entire movie.

"They can insist that you make changes. They will keep the negatives in China, and if you show the film in an unapproved version at festivals they make a big fuss."

In 1994 the entire Chinese delegation flounced out of the Hong Kong festival, taking their films, when the organisers refused to withdraw Clara Law's critically praised *Temptation of a Monk*, a Hong Kong-China movie. "They never told me what the objection was," says Law.

The former actress Hsu Feng, now a producer, was similarly frustrated by Communist response to her film *Farewell My Concubine*, directed by China's Chen Kaige. "Even though only eight minutes of the three-hour film depicted the Cultural Revolution, they complained and complained."

Another of her Chinese projects has yet to be approved. "It is a film about Madame Mao. She was a movie actress in her early life, very glamorous, with very bright make-up!

"Later, Mao wiped it off and she became the first lady of Communism. It is a fascinating story, but China will not give permission."

Mabel Cheung has had more luck with her China-shot film about three daughters of an extraordinary Taiwan family. Two of the Soong sisters married historical legends: Sun Yat-Sen, the first ruler of post-dynastic China, and Chiang Kai Shek, the nationalist leader ousted by Mao. The third married China's richest man. Beijing raised no serious objection to either script or movie, not even to Chiang Kai Shek being portrayed as a human being.

"We said he must not be a cardboard villain," says Cheung's screenwriter-husband Alex Law. "In all Chinese movies before he has been a stereotyped bad guy. We said we wanted to show history through a human lens."

So what are the rules? One morning, Wellington Fung of Media Asia unfurled a fax he had just received from Beijing's Ministry of Culture.

It contained about a dozen "forbiddens": "Anything against a nation's constitution in law. Anything against a country's benefit or social stability or racial dignity. Anything anti-scientific. Anything that publicises mysticism. Anything that will hurt the mentally underaged or tempt them to become decadent. Too much sensual excitement . . ."

And so on. No wonder Hong Kong film-makers are worried as 1997 creeps nearer. "We're the only people going back from capitalism to Communism," says Mabel Cheung. "Everyone else is going the other way." No wonder that some too, like John Woo and Clara Law, have left altogether.

Others, though, are determined to fight on under the nose Chinese Communism. Stanley Kwan has two homosexuality-related subjects he is set on filming before or after zero hour on June 30 next year. And the most prolific veteran of Hong Kong cinema, Tsui Hark, has directed what may be the most closely watched 1996 film of all, *The Blade*.

As well as resurrecting the heyday of Hong Kong swash'n'buckle genre, this made-in-China movie will be the first co-production ever given a wide release through the Republic, and also the first time a Chinese studio has been allowed to distribute its own film.

Signs of a new dawn? With examples like this, can Hong Kong help to bring freedom and free enterprise to the country little by little? The answer may lie in the Hong Kong character and the limits, if there are any, to its resilience.

"We're great survivors," says Hark. "Like our films, we're full of nervous energy. We're fast-talking, fast-walking, fast-moving. We think time is never enough. We're always looking for fresh opportunities. So 1997 isn't the end for us. It's a new beginning."

Chess No 1113: 1 Kg6 b3 2 Kf5 Bb2 3 Ke4 Nc3+ 4 Kd3 0-0-0 mate. Last week's No 1111: 1 Rc3! If Bxc3 2 Re4 Bf6 3 Re5+ and 4 Rxd8. If f6 2 Bcb3 c6 3 Rb7 and 4 Rb8 or Ra7. No 1112: 1 Ra2 h4 2 Rxb2 Kxb2 3 a1R! Kc3 4 Rg1 Kd4 5 Rg4 Rxf6 mate.

PERSPECTIVES

France woos an old foe and neighbour

Paul Betts on why Paris is admitting that it has an image problem and is courting British custom

The controversial Louvre pyramid: the completion of the Louvre project in two years is expected to give Paris a new impetus

A French friend in London was not amused to hear that France was orchestrating a campaign to seduce the English back to their land. "We already have too many Britons in France," he snapped.

But this was no joke. The Paris authorities are going to unusual lengths to encourage their old enemies to visit France – even to the extent of launching next week, for the first time, a £1m advertising campaign on British television as part of a big effort to revive the fortunes of their troubled tourist industry.

And it was no accident that barely half an hour before President Chirac solemnly announced on television this week he was ending French nuclear testing in the Pacific, Fleet Street's finest were gathered in the French tourist ministry for champagne and canapés and a well rehearsed briefing.

In the elegant town house off the Boulevard Saint Germain, the atmosphere was a *soupçon* third world and quite formal. On one side of the long table sat an impressive assembly of French officials facing the four journalists who had been whisked to Paris by Eurostar. In one corner drinks and glasses had been laid out for the *vin de l'amitié*. A government photographer was prowling around taking snaps.

"Paris has an image problem," conceded Jean-Marc Janaillac, director of the Maison de la France, the agency that promotes France around the world. "As far as tourism goes we did not have a gorgeous year in 1995," he added.

On the surface at least, the figures for last year are not dramatic: only a 1 per cent decline in visitors compared with 1994. But the statistics, as they rarely do, do not tell the full story.

Other markets, such as Italy and Spain, gained at the expense of France. Some sectors were worse hit than others. Above all it was the country's image and of its capital in particular that took a hit.

The international uproar caused by Chirac's decision last year to conduct a new series of nuclear tests had probably less direct impact on the tourist business than the terrorist bombs, the strong franc and the strikes that paralysed most of the country at the end of the year. But it certainly had the biggest repercussion in terms of what the French like to call *le rayonnement de la France* abroad.

So far there have been no signs of a recovery. "Our hotel occupancy forecast for February is very low, under 20 per cent," said Chantal Jacob, manager of the Baltimore, a town house hotel in the smart 16th *arrondissement*. "Our occupancy rate last year dropped to 55 per cent from 60 per cent in 1994 and in December we were under 30 per cent."

Most of the capital's main cultural attractions also suffered. Apart from the *Cité de la Science*, the modern science museum which saw its visitors increase by 6 per cent, the number one attraction, the Eiffel Tower, had a 3.8 per cent drop in entrances to 5.8m. The Louvre, in number two position and still in the throes of a gigantic FFr6.9bn restoration and expansion to be completed in 1998, suffered an even sharper fall of around 25 per cent.

The problems of the Louvre are more complex. "We had a big year in 1994 with 6.3m entrances as a result of the opening of the Richelieu Wing at the end of 1993," explained Marijke Naber, a Louvre official.

The renovations are also frustrating tourists. "They can't see all that is happening but in 1998 they will," she added.

The completion of the Louvre project in two years is expected to give Paris a new impetus. In the meantime, government and city officials are banking on a series of more immediate events to lure visitors back. These include the reopening of the old Paris Opera at the beginning of March with a performance of Cosi Fan Tutte; the reopening of the Delacroix museum; the 10th anniversary celebrations of the *Cité de la Science*; a big Corot exhibition at the Grand Palais. This is also the 400th anniversary year of the birth of René Descartes on March 31 and a battery of special events is planned, including a philosophy contest.

And with Cartesian logic, the government and tourist authorities have decided to turn to Britain to lead the campaign to restore the image of *la douce France*. The UK is one of the country's four main tourist markets along with the US, Japan and Germany. About 9m Britons visit France each year and 900,000 went to Paris last year.

Apart from the ease, speed and declining cost of travel – Eurostar will announce next week a special London-Paris return fare of £59 to compete with the cheapest airline tickets – officials said there were two main types of British visitors going to France: young families with children and "potterers" – couples aged between 45 and 50 with relatively high disposable incomes.

To lure the British back, Paris is launching a special promotion called *Paris Fantastique* from the beginning of this month to the end of April, offering big reductions or extra free nights in more than 300 hotels, reductions and welcome gifts from the Paris Tourist Office and the main department stores, and many other inducements.

In the salon of the tourist ministry we were given a sneak preview of the new 30-second television commercial. It opens with beautiful scenes of France to the horrible din of lager louts singing "here we don't go"...and thank God they don't.

The tone changes but the loveliness of the scenery doesn't as the commercial ends to a rendering of *La vie en Rose* by Edith Piaf.

It is too early to say whether it will send British television viewers rushing to their travel agents. But Paris is making a big effort.

"We suffered in the past from our arrogance, a certain cultural gap with we the French not always knowing how to behave with foreigners," another official remarked later over dinner on the second floor of the Eiffel Tower. Below, Paris was sparkling with a million lights and the golden dome of the Invalides.

The piano player tinkled away a familiar tune: *I left my heart in San Francisco*...

A symbol of Georgia tries to keep the faith

John Lloyd meets a writer coping with a double tragedy

In a cold bare flat in Tbilisi sits a man who is thought to be the best writer of fiction in Georgia.

He has a medal, the main literary award in Georgia for 1995, to prove it. He sits in a rickety chair, with bottles of the cheapest wine about him, cigarettes by him, the television on in the corner.

In an adjoining room, he shows pages covered with Georgian script, which he says are the plan for his next book. On the shelves are images of Jesus: he puts out his cigarette before he goes in, saying he will not smoke in the presence of his Lord.

He is not typical of the state of Georgian culture, for the misery of Guram Uramdochanashvili and his wife derives in large part from the loss of their only son, who fell from a balcony to his death: it turned him to religion, and to drink.

But he is symbolic of it: impoverished, bereft, trying to preserve a faith, continuing to work even if no one reads or sees or hears.

Why should anyone read or see or hear it? Because it was a miracle, an art developed in a poor, small nation which was one of the Soviet colonies, an art which spanned literature, drama and film, music and painting, an art which could be so vivid, so alive and vibrant, that it lifted the republic out of the Soviet swamp of mediocrity and put it almost on the level of Russia.

It produced, in *Repentance*, (1984, released in 1987) the film which more than any other made the Soviet foundations tremble, before collapsing. And the collapse of the Soviet Union has been for Georgian culture a tragedy.

"Yes, it is a tragedy, an absolute tragedy, which has overtaken us," says Lana Gogoberidze, one the Georgian school of film directors.

"We had to struggle all the time with the Soviet system, to say something of what we wanted to say. We were very radical then. And we did not know that at least, then, we had a chance to work and to make something. Now – practically nothing."

In the last five years, Georgia has suffered a series of shocks: to its national pride, when the late President Zviad Gamsakurdia tried and failed to substitute a raucous anti-Russian nationalism for the Soviet submission of the previous seven decades; to its integrity, when the regions of South Ossetia and then of Abkhazia broke away, in violence, from the main body of the barely constituted state; and to its economy, once among the richer in the Union, now prostrate, with almost no production, a state stripped of industrialisation and sent back to peasant farming.

The culture could not remain immune. The Rustaveli and MMM and Film Actors' Studio Theatres; the opera; large film studios; regional theatres and cultural groups – all plunged into a state of near immobility. Once generously funded, they had nothing – not even light and heat.

They tried to continue, and sometimes it was comic. I attended a performance of Zachary Paliashvili's lovely opera *Abesalom and Eteri* in the Tbilisi opera house in February 1991, when the minuscule audience and the orchestra sat wrapped in outdoor clothes. The cast, lightly clad since the opera is set in a sultry climate, jumped about the stage in defiance of the script, to keep warm. Now, the house, a victim of the 1992-3 civil war, remains closed.

They were spoiled. Josseliani, now elderly but in her day one of the most adventurous of the theatre directors, says: "We were comfortable in captivity, but didn't know it. And then – it was like when you let animals out of the zoo. They run about everywhere, not knowing what to do."

Josseliani had staged, in 1954, one of the first daring plays of the post-Stalin period – a play called *The Regional Secretary*, which included a passage in which a district official takes on a Party superior on moral grounds – and wins.

Only in Moscow's most prestigious theatres were such *lese majestes* tolerated. Georgia thought itself to be different, and was treated differently.

> The living conditions of the professional and intellectual classes are desperate

They were spoiled in part by Eduard Shevardnadze, first secretary of Georgia from 1972 to 1985, whose popularity with intelligentsia remains.

"He would fight for us," said Gogoboridze. "He would ring up the head of the state film committee if it had stopped one of our scripts, and harangue them. From 1976 he was a candidate member of the politburo, and so he carried a lot of weight."

The famine, then, is the worse for the feast which preceded it. And famine it is. One literary magazine comes out very irregularly. No films are made.

The theatre has revived a little – the famed Rustaveli Theatre has put on *Macbeth* and the Film Actors Theatre is putting on *Much Ado About Nothing*. There has been a music festival and a film festival in the regional centre of Rustavi. In October, Tbilisi held a holiday and fair for the first time in six years. The influx of foreign embassies has produced a flow of assistance. A little renovation goes on in the old town.

The living conditions of the professional and intellectual classes are desperately bad. In the street, an elderly man introduces himself as Professor Dr Alexander Korssaveli, and asks for a cigarette. He is a philologist in Tbilisi State University, and a member of the Academy of Science.

His suit is shiny and has holes in it. He is badly shaved. He refuses money, and merely wishes to talk for a while. He has received no pay for some months: his son helps him live. Everyone points to the extended family as solving the mystery of how so many Georgians live on starvation wages.

Levan Gelashvili, a young man in his early 30s, has five jobs – teaching at a private school, at a state school, at an affiliate of Tbilisi University, private lessons and translating. He makes around $100 a month, a good wage by current standards, some of it going to his near family.

What above all is being lost is the ability and will to chronicle the present: to assist in making it comprehensible through art. No one has the money or the energy to tackle a contemporary work and there is little of it to tackle.

In his wretched flat, Guram Uramdochanashvili finally gets the wine for which he has been shouting at his wife throughout the afternoon, and relaxes a little. She teaches German at the University, and gets $5 a month. She says: "All he can do is drink or write, all I can do is work."

He says: "I will continue writing, in order not to commit suicide, because that would be a blasphemy before the Lord."

Essay prizes offered

Prizes worth £4,000 between them, are offered by the T.E. Utley Memorial Fund for unpublished essays by school or university students aged under 25.

This year's essay subject is: "Within the last 50 years, the relations between men and women have been revolutionised. Should relations between humans and animals undergo a comparably dramatic transformation within the next 50 years, what will the likely consequences be, for better or worse?"

Typescripts of up to 1,200 words should be submitted by April 29 to Mrs T.E. Utley, secretary to the fund, 111 Sugden Road, London SW11 5ED (Tel: 0171-228 3900). Entrants should declare their age and school or university.

For the street and the slopes

Lucia van der Post on the latest from a ski-wear designer

Ski-wear has been undergoing a transformation of late. Anybody with eyes must have been aware that ski-wear has been just one of the latest sources of inspiration for wear on city streets and country fields as well as the *pistes of Aspen* and Gstaad.

On the Weekend FT's fashion page before Christmas, Karen Wheeler showed us a stunning collection of quilted anoraks, metallic parkas and Puffa-style jackets all of which would have come in mightily useful during these last few cold weeks.

But there is a difference between ski-wear designed to withstand the real rigours of the slopes and ski-inspired street wear, designed merely to look pretty and keep warm on the fashionable streets of the world.

Over the last few seasons, some of the world's most eminent designers have turned their attention to proper ski-wear – from Armani to Ralph Lauren and Donna Karan.

Best-sellers in all the ranges have been the metallic jackets – so bright they almost hurt the eyes and so popular that there are few left. But the good news for skiers who still have their holidays ahead and who have not yet bought their gear is that some of the sleekest, most avant-garde ski-wear around is still available.

Sam de Teran, who came to fame as a designer of radical swimwear *and whose designs I showed on* these pages three years ago, has turned her attention to other sports-wear – most notably ski-wear. She has since opened her own shop in London's Fulham Road where keen swimmers and skiers will be able find the gear for their sports all year round.

Her first ski-wear collection – all sleek shapes, graphic-coloured, bold and clean of line – has been a huge success but whereas most of the other designers are already bringing in their golf and other spring ranges, Sam de Teran has just ordered another batch of ski-wear which will arrive in the shop this weekend.

As you can see from the photographs here, her designs are light years away from the cream-puff anoraks and baggy trousers that were so unflattering for those of us not blessed with colt-like legs and 6ft of height.

All her designs come in black, bright red or white (not a pretty pastel or an abstract pattern in sight), all are Goretex-lined and use a high percentage of Lycra to give stretch in both directions. They are windproof and extra warmth is provided *by a series of fleecy* bodies, also sold by Sam de Teran.

Her most popular line is the Snow-Cat, a zipped all-in-one cat suit shown here (left) for £320. Equally sleek in outline is the Racing Jacket photographed above (£250). Worn under it is a fleece body with a hood (£70) and to complete the slinky shape it should be worn with the snowpants, an updated version of traditional tapered skiing trousers which nobody *under 30 will remember* – but all of us over 30 will remember only too well.

The current goggles to wear in the resorts where such things matter are the Bugz – over-sized and mirrored they also have little vents at the side to prevent them from fogging up (£65).

■ *Sam de Teran, 151 Fulham Road, London SW7. Tel: 0171-584 0902. She will send by mail all over the UK.*

If the dining chair fits

A specialist store cushions the frustration in finding a seat or two

Tricia Tallon and Alison Jackson are two friends who perceived that finding sets of dining chairs was a time-consuming job. And that when anybody did manage to track a set down, they were so astonished at the price that they began to think kitchen chairs would do after all.

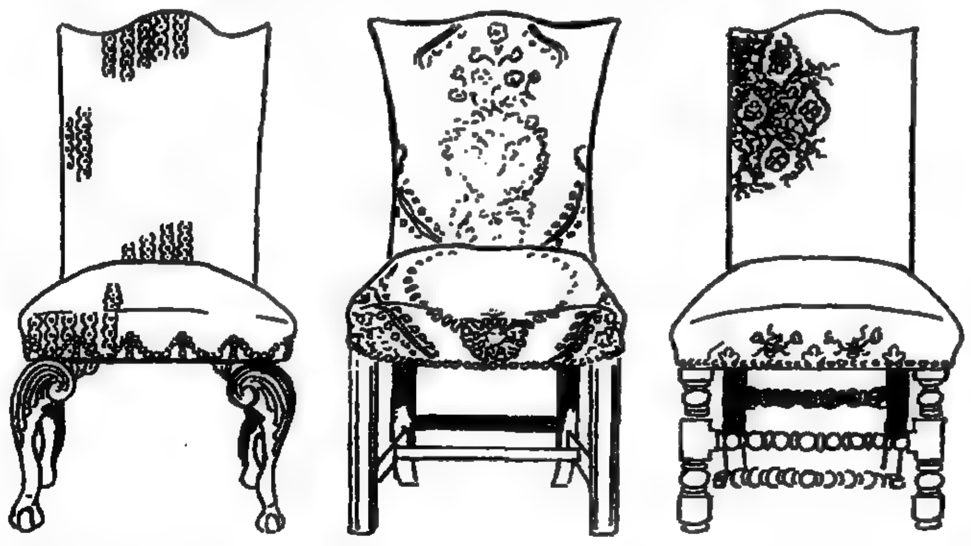
So they got together and decided to produce chairs in a variety of styles of which people could buy as many or as few as they needed, and – very important – they could always be sure of finding additional versions.

The result is a small company with just one product – dining chairs. But the dining chairs come in Georgian, Gothic, Adam, Spoonback, *Stuart and other styles.*

These are clearly not chairs for the purists or the serious collector of antiques, they are for people who have despaired of finding a matching set that they like and can afford. They are sturdy, comfortable and designed to fit in with most of today's interior decorating styles, save the avant-garde and the minimalist.

All the chairs can be covered in almost any fabric (Tallon and Jackson were interior decorators and know all the leading fabric houses). The drawings here give some idea of the range of styles available. Prices, which will rise in a few weeks, are now from £169 a chair for Georgian, Gothic and Adam, to £340 for the carved Georgian. Wood can be stained or polished; the Stuart chair is only available in oak. Limed oak frames are £25 extra a chair. Carvers are available for 25 per cent extra.

■ *The Dining Chair Company is at 43 Vincent Square, London SW1P 2NP, but it is not a shop. Write for a brochure or call 0171-630 8595*



From left: carved Georgian chair, from £340; a Classic Adam, from £210; and a Stuart, from £265

Glass act

A couple of years ago I *discovered William* Yeoward's wonderful reproductions of 18th and 19th century dinner services – redolent of the great era of country house living and entertaining.

These were dinner services founded on the simple old English shapes that were the backbone of proper English dining and which could only be found at great expense in antique shops.

The success of the dinner services set William Yeoward thinking about glass. A fortuitous meeting with John Jenkins, who had a glass importing business and good connections with manufacturers all over the world, led to them setting up a partnership to produce glass that would be in similar mood and style to the china.

Both men loved antique glass, collected in a minor way and had noticed that the same problems existed for those who loved old glass as for those who loved old china – it was difficult to find and sets were hard to come by. "It's amazing how often you can find, one or three or five glasses and how seldom a complete set," says *Jenkins.*

They planned their ideal collection and Jenkins found manufacturers, mainly in Hungary and the Czech Republic, to produce them. The pieces are all based on original 18th and 19th century designs – *many have the popular, hard-*to-find square bases popular on some 18th century glass. There is a wide variety of shapes, from long tall flutes, to cut-glass goblets, plates, from jugs and vases to dark coloured glass and lightly coloured ruby red ones.

Stores have greeted the collection rapturously. In the UK, it has been bought by Harrods of Knightsbridge, London SW1; Fortnum & Mason of Piccadilly, London W1; Liberty of Regent Street, London W1; Mulberry Hall of York; the John Jenkins shops at Jenners in Edinburgh; and Henning*tons of Brighton. It can also be* found at William Yeoward (along with his painted furniture and his dinner services) of 336 Kings Road, London SW6.

Prices range from £10 for a small sherry glass to £135 for a large vase. Most of the wine glasses range between £12.50 and £40. Tumblers are £28 each.

L.v.d.P.

Embroidery for the well-heeled

Lady Palumbo, it seems to be well known, has been an ardent fan of needlework since she was a child in Lebanon. Ten years ago she opened her shop, Tapisserie, in Walton *Street, Chelsea, and it is now one of the* leading places to find marvellous pieces to embroider, writes Lucia van der Post.

The pieces available range from hand-painted canvases reminiscent of the 17th century school of needlework through to delicate oriental *patterns* from the 19th century and 20th century designs by artists such as Jim Dine.

Lady Palumbo's splendid book on the subject, *Tapisserie, The Art of Needlepoint* (Weidenfeld & Nicolson, £18.99), covers the colourful gamut of its offerings.

There are exquisite old-fashioned French flowers on cushion-covers, there are chair covers, rugs, pelmets, foot-stools and a surprisingly popular present it seems for aristocratic males – embroidered slippers.

From the Duke of Marlborough through to that very modern peer, Lord Hanson, embroidered slippers are what the well-heeled gentleman wears at home.

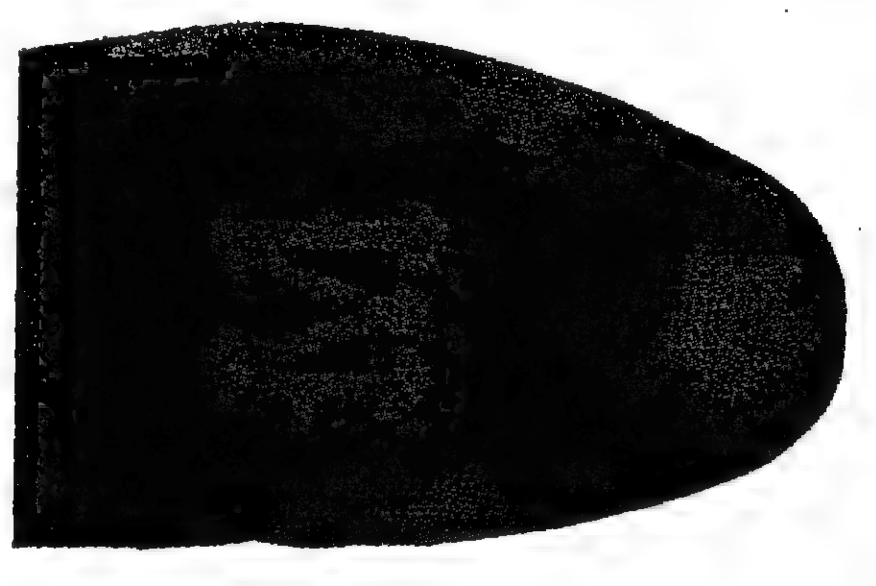
Anybody who wants to embark on a similar enterprise while the days are still cold and the nights long needs to know that these slippers do not come cheap. A template needs to be made and the finished needlework is then attached to leather soles from Cleverleys in the Royal Arcade, Old Bond Street – cost £150. The wool and canvas cost £68 a pair for a simple monogrammed slipper but a more complicated design could cost as much as £300.

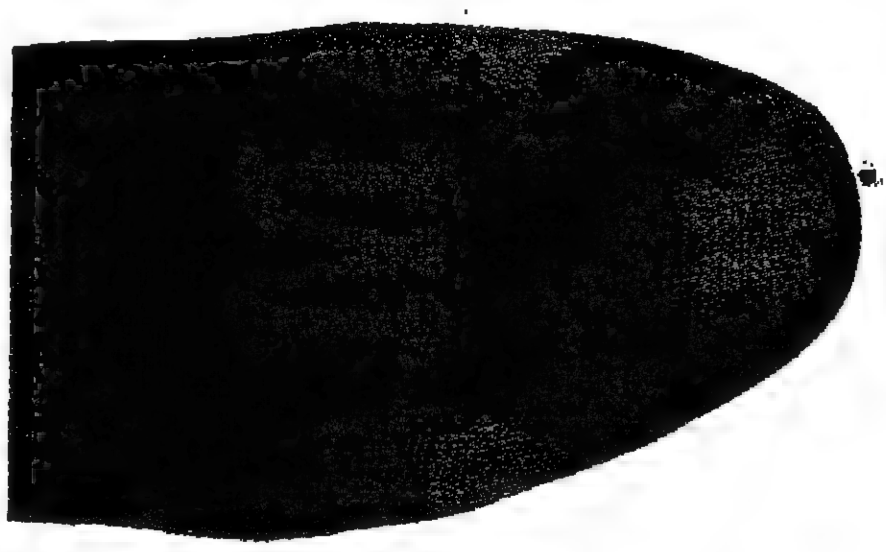
If all that sounds bewildering (and it clearly does to all except the experts) *Lady Palumbo has the answer. Every* Wednesday the nonplussed, the technically inept or the beginner who wants to know how to start embroidery can join a two-hour class for £40. It is a good way to learn new stitches, start a new project or just get help with one you are stuck on.

For those who are daunted by the thought of something as time-consuming as a rug or a complete chair or cushion-cover, there are smaller, more delicate pieces to be worked.

There are evening purses, for instance, which recall the Tudor purses or sweet bags often given to Queen Elizabeth I, or Christmas stockings, spectacle and scissor cases as well as door-stops and *coats-of-arms.*

■ *To join a class telephone the shop, 54 Walton Street, London SW3 1RB, on 0171-581 2715.*





□ Strawberry leaves are often used in ducal coronets and were thus incorporated into the design of these strawberry slippers (top), embroidered for the Duke of Marlborough by his wife Rosita as a birthday gift. Similarly, this slipper depicting foxhounds (right) was a present for a husband devoted to fox-hunting

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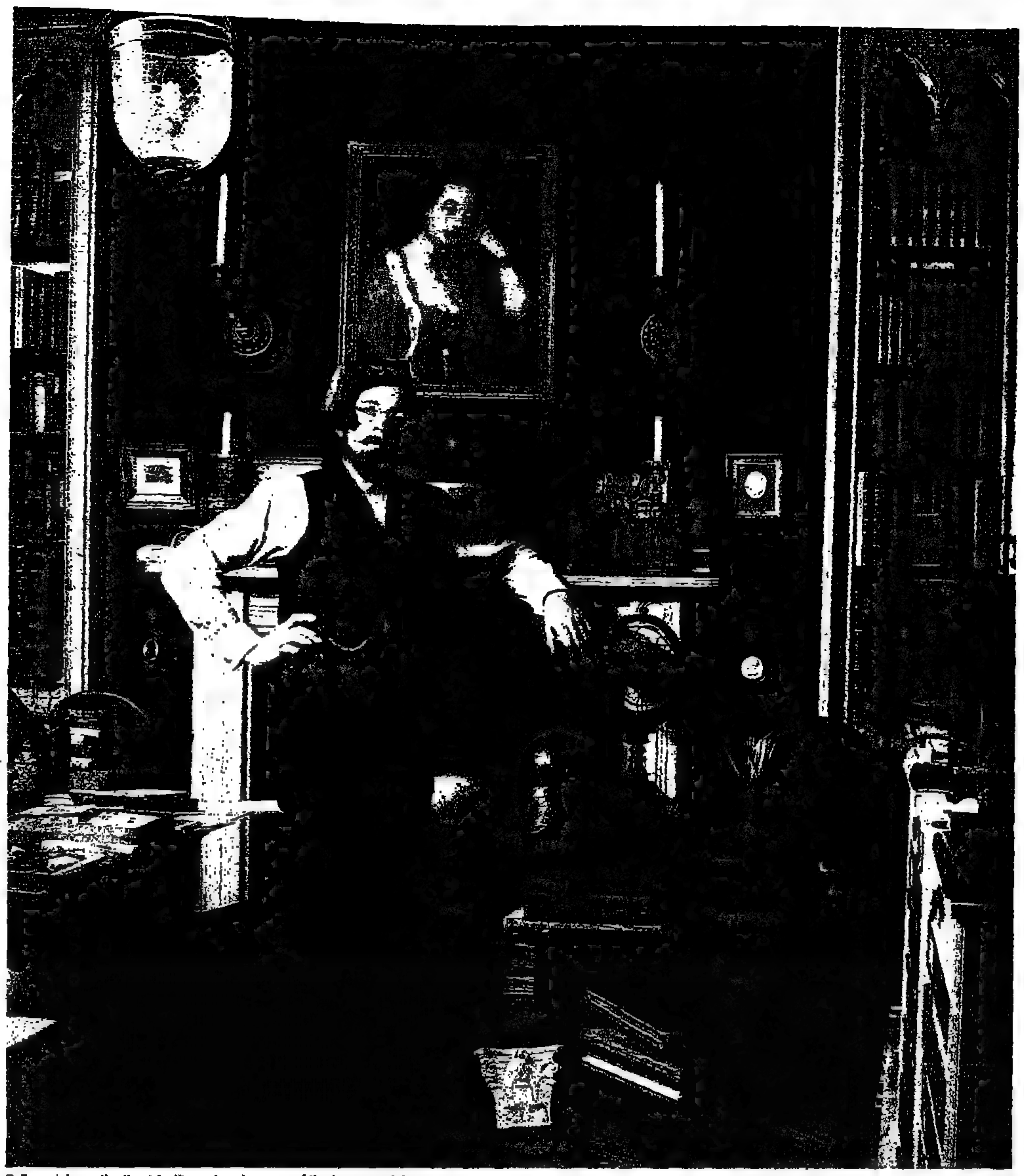
FASHION / GARDENING



Calloway: loves the theatricality and exuberance of the baroque style

Pawson: the simpler the better

Photographs by Lucinda Douglas-Menzies

The minimalists versus the magpies

Richard Rawlinson meets two men with diametrically opposed views on how you design and what to put in your home

One man's meat is another man's poison is an adage which can certainly be attributed to a comparison of the tastes of minimalist architect John Pawson and latter-day dandy Stephen Calloway, a curator at the Victoria & Albert museum.

As devotees of diametrically opposed aesthetics, they accord to a tradition of cultural rivalry.

Pawson, whose recent work includes designing the Calvin Klein emporium in New York, is constantly persuading clients to accept less, believing empty space is today's greatest luxury. Calloway, meanwhile, is a compulsive collector who claims "the only thing better than one beautiful object is two beautiful objects".

Pawson's clothes, like his interiors, reveal Zen-like restraint, consisting of white shirts, grey jerseys, black trousers and shoes. Calloway's lavish interiors are echoed by his wardrobe, which includes hundreds of flamboyant waistcoats, hats, cravats and antique frock coats.

While most of us are not as extreme in our tastes as Pawson or Calloway, many of us demonstrate a closer affinity with one than the other when we choose clothes or decorate our homes.

The style wars between modernist and nostalgic, minimalist and magpie, are usually waged in diluted form. In fashion, some prefer the simplicity of Prada, others the opulence of Christian Lacroix. In interiors, some like the clean lines of Philippe Starke and Shaker furniture, others prefer more theatricality.

Some, on the other hand, opt to mix and match the old with the new, the plain with the embellished, for an eclectic, hybrid look.

Pawson's home in London's Notting Hill has little furniture at all. The interior is even free of permanent fixtures such as skirting boards, door knobs and mantelpieces. Bare white walls meet smooth wooden floors; the visual interest lies in the harmonious appearance of open vistas, flooded with light and framed by these plain and natural surfaces.

The overall effect is peaceful rather than austere, more like a Japanese monastery than a prison cell. But the house is an illusion of a void; possessions such as books and the television are hidden in fitted cupboards, themselves disguised as walls. It is a Victorian building stripped of historical features, a contemporary family home without domestic references.

Pawson says: "My work is not supposed to be about deprivation: It is not cold and inhospitable, but sensuous. Not having to look at objects has a calming affect. My children feel free to run around.

"I love the ceremonies of eating and bathing and our bathroom has a drained floor so we can splash about. For me, home is about togetherness, not bricks and mortar. I do not desire possessions. I love to look at art but I can see it in a gallery without owning it."

Pawson encourages us to question our consumption. "I do not see the need for both champagne flutes and whisky tumblers when one shaped glass will suffice," he says. "I do not see the point of carpets, which retain dust and change the perception of space."

On occasion, there is an element of self-denial, which makes the purist seem too puritanical; for instance, he prefers hard benches to soft chairs, a choice which is unlikely to win many converts among comfort-loving homemakers.

Calloway and his wife, Oriel Harwood, the sculptor, have just moved from a medium-sized Georgian house in Camberwell, south London, to a larger one nearby to accommodate their growing collections of antique furniture, objets d'art, curios, books and vintage clothing.

Calloway loves the theatricality and exuberance of the baroque style, decorating rooms with bold colours and stuffing them with dramatic pieces of every size and shape. He is not faithful to any historical period, preferring instead to combine 17th, 18th and 19th century pieces in a very personal, bohemian way.

"I surround myself with things I find interesting and beautiful," he says. "It does not matter if something is of little financial value, as long as it is exquisite to me. I have always been an avid collector and I try never to part with anything.

"I have sold things to buy something else, but have always missed them at a subsequent stage.

"I am not someone who wants to look at two perfect objects on matching plinths. I love arranging things in groups so the eye has to roam for its stimulation. Each room must have its own unique resonance."

Calloway blames the Modern Movement of the 1920s and 30s for the sterility he sees in much 20th century design. "The tyranny of architects such as Le Corbusier and the Bauhaus group brought down the shutters on richness, fantasy and craftsmanship," he says.

"Modernists claimed the moral high ground by saying they were creating clean places for people to live in. But it is a reductive aesthetic, which is limited and boring.

"Without their influence, more 20th century architecture may have been decorative, like Gaudi's in Barcelona."

Calloway quashes allegations of fogeyism by admitting he enjoys the work of several living designers.

"I admire John Galliano and Vivienne Westwood for their theatricality, and the interior designs of Nigel Coates are rich and witty in their use of unlikely materials. But I would not call Galliano 'modern', which, to me, describes the minimalists or those fashion pastiches of the 1950s sci-fi look in ghastly synthetics."

Pawson argues that the notion of simplicity is ancient and timeless, that his work has as much in common with Cistercian abbeys as it has with the designs of recent minimalists such as Mies van der Rohe.

He adds: "It focuses attention on life; my restaurant interiors show the people and the food to best advantage."

As two people dedicated to extremes, Calloway and Pawson share more in common with each other than with those who do not care so much about the appearance of things.

Neither claims to follow fashion. "I do what I do regardless of trends," says Pawson. "I adhere to the cult of the obscure," says Calloway, "but every 10 years or so, I discover that the shops are full of things I like. Last year, I found a wonderful velvet jacket in Top Man."

Just as Pawson does not miss soft furnishings, Calloway is unconcerned that a battered Regency sofa is not as comfortable as a contemporary version.

Having to dust an Aladdin's cave, polish silver, light log fires, starch shirt collars and rummage around bric-a-brac shops is not to everyone's taste.

Equally, any marks on walls and floors become obvious without the distraction of objects, and the building cost of achieving the pristine look can be more than the average household's transportable contents.

Life is a battle to find the things we want, says Calloway. In a more abstract way, Pawson probably agrees. Variety is the spice of life.

SHOPS FOR MAGPIES

■ David Gill: specialist in decorative arts of the 20th century; 60 Fulham Road, London SW3 (0171-589 5946).
■ David Ireland: antique textile and clothing specialist, offering 18th and 19th century costumes from China and Europe. Open Saturdays only; 283 Westbourne Grove, London W11 (0171-221 4186).
■ Anthony Redmile: sells busts, figurines and statues made from marble resin and sized from four inches to lifesize; 533 King's Road, London SW10 (0171-351 3813).
■ Wendy Cushing: specialist in tassles and fringes which are often reproductions of 16th, 17th and 18th century designs. Commissioned by the National Trust to carry out restoration work in stately homes. Made to order; 115 Middleton Road, London E8 (0171-249 9709).
■ Thomas Heneage: bookshop selling old and new books covering ancient and modern art; 42 Duke Street; London SW1 (0171-930 9223).
■ Papers and Paints: paint specialist featuring more than 40,000 shades and traditional colours popular in the 18th and 19th century; 4 Park Walk, London SW10 (0171-352 8626).
■ Cole & Son: fabrics and wallpapers reproducing old patterns; 144 Offord Road, London N1 (0171-607 4288).

SHOPS FOR MINIMALISTS

■ John Pawson: by appointment only. Minimalist architect undertaking commercial and residential property commissions; 27/29 Whitfield Street, London W1 (0171-580 6811).
■ Comme des Garçons: Rei Kawakubo is the designer's designer thanks to her label's simple-yet-clever monochrome style; 59 Brook Street, London W1 (0171-493 1258).
■ Shaker: the name comes from the puritanical religious sect which shunned extravagance. Unadorned furniture in natural cherrywood or maple; 322 King's Road, London SW3 (0171-352 3918).
■ Michael Hue-Williams: gallery representing minimalist artists; 15 Cork Street, London W1 (0171-629 1887).
■ Muji: Japanese company selling clothes, stationery, kitchenware and other objects for the home, all with no-frills design and in natural colours and materials; 26 Great Marlborough Street, London W1 (0171-494 1197).
■ Bang & Olufson: stylish, streamlined electrical goods from hi-fi systems to televisions; 565 South Molton Street, London W1 (0171-355 1285).
■ SCP: furniture by minimalist designers including Mies van der Rohe, Le Corbusier, Matthew Hilton and Terence Woodgate; 135-139 Curtain Road, London EC2 (0171-739 1869).

Gardening / **Robin Lane Fox**

A riposte to secretaries in bikinis

The bitterly cold UK weather has promoted garden planning to the top of my list. In your mind's eye, you probably share the same vision: a summer's evening, five months away, when flowers are floating everywhere and there is not a hint of Siberia in the wind.

This vision is worth focusing on now, because the sooner we all start to realise it, the wider the variety we can introduce.

Usually, we are advised to retreat to the main seed catalogues. I have spent a day in retreat with some very heavyweight catalogues indeed and the experience has been thoroughly disheartening.

Page upon page of colour illustrations show well-loved flowers in strident colours and horribly stiff shapes. Everything seems to be tending towards the indoor florist trade and even the yellow daisies are beginning to look like stiff, indoor plants. The background is always assumed to be the sort of summer I hate with the sort of personnel I least want in the garden.

The sunshine blazes on the new Frenzy petunias, while the secretaries are shown kneeling in the flower bed in an optimistic bikini. Full-page spreads of orange marigolds are framed by figures from male middle-management holding empty picture-frames round the latest horror to win a medal at the Fleuroselect Trials.

Neither the bikinis nor the picture-frames enhance the choice of bedding-plants which makes you feel sorry for some of the public executives who inflict them on us.

The wholesale conveyor-belt eliminates height, scent and class. It provokes me to pick my six alternative experiments which would mostly grow tall enough to hide the overweight secretary in the flower bed and screen the middle-managers' accompanying frame.

Most of my six can be found in good garden centres; if not, they are all available from Chiltern Seeds, Ulverston, Cumbria. Four of them benefit from early sowing: the sooner you start the better.

The essential antidote to uniformity is the largest Tobacco Plant with white flowers, Nicotiana sylvestris. It is almost impossible to buy plants of it ready-grown in May. You have to raise your own, pot them on and arrange your own distribution.

A few individual plants of this variety go a long way, spaced at focal points down a border or round a small garden. The green leaves are large and rather exotic and the little

white flowers droop downwards at the top of plants which reach between 4ft and 5ft in a year.

Chiltern lists a selected form called Only the Lonely, which is bolder and even better. The flowers are scented and the whole plant is impressive, unlike the dull little pink and red forms which are now marketed everywhere for gardeners who seem to want obedience.

For impact, I also like to grow Eucalyptus as an annual and enjoy its silvery leaves in the first year. The seeds come up like cress and anyone can germinate them. The most familiar forms include the blue-grey perriniana which has the usual round leaves. It happens to be rather more awkward from seed and this year I am defecting to Eucalyptus cordata which has heart-shaped leaves of silver-grey. As the plants age, the leaves and stems become more untidy. I throw away the young plants in autumn as if they were annuals.

An early start is essential for one of the best experiments, the heavily scented Datura meteloides. It belongs to the family whose flowers are known as Angels' Trumpets and are often seen round the swimming-pools of the rich and well-organised.

The rest of us can grow this particular form in one year as an annual and enjoy its faint trace of lilac in the cream flowers. In pots, young plants can be set outdoors in early June and will flower conspicuously in late summer if the weather is reasonably warm.

I would back up these unusual plants with something much more predictable, the yellow and velvet-brown flowers on the daisies in the family of Rudbeckias.

Yellow daisies have great style unless a breeder has reduced them to 6ins and tried to annihilate any hint of the sort of flower which van Gough liked to paint.

I like all the mixed colours of Rudbeckia hirta, whose rough leaves and stems carry wide, single flowers in combinations of yellow and mahogany. They are 3ft tall and rather outrageous but if you sow them during the next fortnight they will be at their best by August.

My last two ripostes to uniformity are familiar as wild flowers. Corn Cockle still appears in wild flower books, although it is never seen in wild fields of corn.

It does, however, feature in most catalogues but I sometimes think that I am one of the last gardeners to grow it every year.

The darker form of Agrostemma has returned to commerce – Purple Queen, which is the cockle of choice. The plants are very slender with thin leaves and they can be sown straight on to the ground in mid-April. They then gather speed and reach 3ft by late summer.

This year, I will vary them with a wild-looking companion which I first saw at its best in the garden of Christopher Lloyd, the senior statesman of gardening writers.

His eye had fastened on Ammi majus, an easy annual which grows 3ft tall and has broad heads of white flower like fine Cow Parsley out of season. Anyone can grow it but its main fans are still to be found in the florist trade in Europe.

It would be very poor bikini-cover and the Anglo-American hard sellers have certainly not learned to frame it. All the more reason, therefore, for giving Ammi its head in a lightly shaded border where the last thing you want is a dull old stereotype.

Skiing

A tough uphill slog to a luxury hideaway

Why worry about a lack of snow when you are sipping kir royale on the balcony, asks Patrick Harverson

It was depressing last week to return home from six climatically challenged days of skiing in France to discover that the fields of Essex had more fresh snow on them than the Alps.

The lack of new snow in the Haute Savoie – there has not been a significant dump since the around the turn of the year – has revived unpleasant memories of the grim 60-day snow drought of 1988-89.

Yet if you are going to be stuck in an Alpine resort that has not seen falling snow for more than three weeks you should make sure you are somewhere like Méribel in the Three Valleys.

"Le Plus Grand Domaine Skiable Du Monde" has 600km of marked runs and some of the highest skiing in Europe, which means that no matter how bad the conditions there is always somewhere to ski.

And if you are going to be snowless in Méribel you cannot do much better than stay in Refuge Corbey, a luxury chalet run by specialist British tour operator Meriski.

Corbey is no typical chalet. Sitting high above Méribel village and buried deep in a pine forest it is accessible only to skiers and the occasional passing snow hare.

On our first evening, enjoying the sublime view from the living room balcony while sipping a *kir royale* prepared by the intrepid telemarking Kiwi couple of Clint and Fiona, our chalet "hosts", we realised staying at Corbey was going to be a real treat.

At night, the silence is broken only by the distant rumble of snow guns, and we idled the quiet evenings away secure in the knowledge that the nearest human being was a quarter of a mile and a 30-minute uphill slog away.

In our Zen-like state of relaxation, why should we care that there was no snow?

A Corbey guest also shares in some of the local history. During the second world war the chalet was a mountain refuge, used by members of the French resistance, from which attacks on the German garrison at nearby Moutiers were launched.

> Such was the state of Méribel's slopes that it was more of a "clatter-in, yomp-out" chalet

You can see why the resistance liked Corbey, with its secluded situation and commanding views of the Méribel valley.

Although the refuge has long since been modernised by its owner Doctor Suraud – Méribel's very own "traumatologist" (he specialises in treating ski injuries) – echoes of its past as a wartime hideaway remain: the primitive stone wash basin at the entrance of the chalet, or the plaque by the front door commemorating local *Maquis* who gave their lives for *Liberté et France*.

The nearest slope to Corbey is the women's downhill course, and when the conditions are good the chalet is one of the best "ski-in, ski-out" residences on the mountain.

Unfortunately, such was the dilapidated state of Méribel's lower slopes last week that it was more of a "clatter-in, yomp-out" chalet.

The run down to the front door was an unappetising mix of ice and rock-hard snow, while the run out was in even worse condition, large patches of bare earth forcing us to carry our skis for the five-minute walk to the piste.

Once we made it to the slopes, the search was on for good snow.

The first day was spent over the valley in Courchevel, Méribel's posher neighbour, but the great *La Combe de la Saulire* run down from 2,873m was ruined by congestion that would not have looked out of place on Paris's *périphérique*, while ice and stray rocks (which were to become an increasing hazard as the week wore on) hampered our progress elsewhere.

At least the weather was good, and clear enough that Mont Blanc was visible from the top of *La Saulire*.

Local knowledge has it that snow will come when Mont Blanc "wears its hat", but sadly there was an absence of clouds around the summit and its bare-headed aspect proved an accurate weather forecast for the week.

Our second day was a write-off, with fierce winds closing access to much of the high country, leaving us to scrabble around for good snow on the increasingly bare lower mountain where flat light conditions made even the simplest slopes hazardous.

Fortunately, on Wednesday we had the services of a local expert to show us the way in the form of Christophe Anthelme, a ski instructor who runs the "Ski the White Abyss" school that offers a lively alternative to the all-powerful Ecole du Ski Français.

Local-born Anthelme, sporting the flashing grin and dark good looks that are *de rigeur* for all French ski instructors, wasted little time with introductions, explaining: "Today, we are going to ski fast."

And ski fast we did, courtesy of the best snow of the week at the top of the Méribel slopes on runs down the steep flanks of *Mont Vallon* and beneath the *Côte Brune* chairlift where the snow was good enough for us to duck under the ropes and indulge in a rare but welcome excursion off-piste.

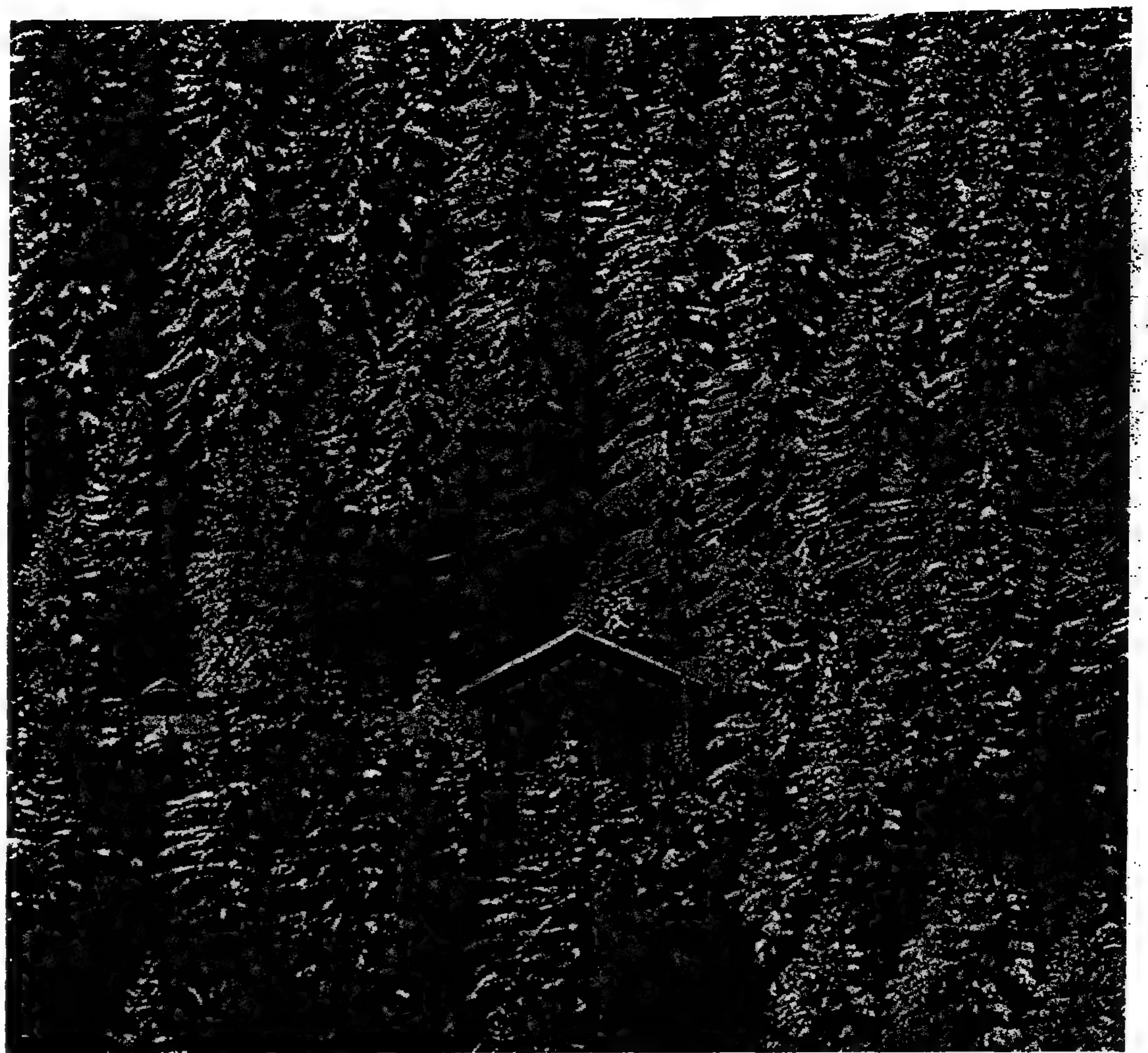
The rest of the week was spent in similar fashion, searching for what was to become our holy grail: slopes free of ice and rocks.

Courchevel came up trumps on Saturday, our last day. The sun came out, most skiers headed for Geneva airport and the groomed slopes below *Col du Pas du Lac* and *Col de Chanrossa* kept their form well into the afternoon.

Lunch on the sundeck at the splendid Bel Air restaurant above Courchevel 1650 followed by a leisurely cruise home ensured a difficult week ended on an upbeat note.

But the French Alps need snow, and need it soon.

■ *Meriski, The Old School, Great Barrington, Oxfordshire OX18 4UR. Tel: 01451-844788.*



Far from the madding crowd: Refuge Corbey – the place to be if you are snowless in Méribel

John Parkington

Hunt-the-snow in the Alps

Some of the peaks in the Alps have begun to look decidedly bald. Others have plenty of snow. There is some good snow in Europe. It just isn't in the usual places.

"The picture's not good," lamented one specialist travel agent. "It's a bit grim," said another. The Ski Club of Great Britain's snow-line has been busy with skiers seeking snow.

Many large resorts in prime Alpine areas have been struggling while some minnows in the Pyrenees and Andorra have been deluged. La Molina, in the Spanish Pyrenees, for example – which, according to the Ski Club's David Hearns "has hardly had any snow for years" – found itself with 2½ metres, while the likes of Wengen and Kitzbühel were in despair. Even Val d'Isère and Val Thorens have struggled.

Hearns says the topsy-turvy snow patterns have been caused by high pressure over Scandinavia, where some slopes have been so dry and cold that they have had only a sprinkling of snow. This has been coupled with weather systems coming from the south and south-west of the Alps rather than the north, favouring south-facing resorts with snow. The Italian resort of Cervinia, for example, has been doing far better than Zermatt, its Swiss neighbour.

The southern French Alps around Alpe d'Huez, Les Deux Alpes and Montgenèvre, along with Italian neighbours Sauze d'Oulx and other Milky Way resorts have been lucky. And Isola 2000, only 90 minutes from Nice, has had some of the heaviest snowfalls in France.

This year, the golden rule of "aim high" has not really worked. Even Val Thorens, Europe's highest ski resort, has not had a good winter. Austria, which started so promisingly, has also been struggling. And in Switzerland, St Moritz and the Granbunden area has been one of the few bright spots. There was a sprinkling of fresh snow in the Alps last weekend, but nowhere near enough to make it a decent winter.

Last week, the snow at Box Hill, Surrey, was almost as good as parts of the Alps. I found Rupert Senior, a skier and cabinet maker, making himself a pair of wooden skis. "I fancy the Surrey slopes this winter," he said.

■ *Ski Club of Great Britain Snow Line: 0891-700333.*

Arnie Wilson

Fishing / Tom Fort

Epitaph for a fisherman

News from Ireland made a bitter January night seem more bitter still. My friend Niall Fallon, who had taught me everything I knew about Irish lakes and rivers and Irish trout, was dead.

The last time I had seen him, we had planned excursions for the coming year. It would be a year of fishing for him, he said. Not now.

He was a fine and honourable man, incapable of mean-mindedness or malice. He was also a fine fisherman, which is why I write of our friendship here. In fishing, as in other matters, Niall kept his quality quiet.

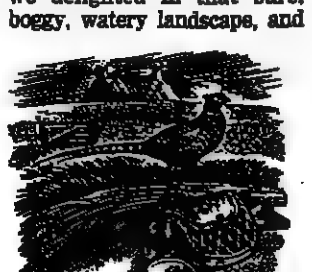
He was nothing much to look at on the water, a barrel-shaped man of medium height, in a shabby Barbour, a shapeless piece of Irish tweed jammed over his snowy hair.

Not for him the long elegant cast. His fishing was severely practical, wholly concentrated. He got close to the trout, wading if possible, then cast a short line, over and over again. His maxim, vastly valuable to me, was to keep at them.

Niall was a scholar of Irish fishing, as of Irish history and culture. He had a vast library of Irish fishing books, and had fished in every county of the island. He had spent five years living beside Corrib in the far west, writing his book about the Armada and tutoring himself in the ways of the trout of the great lake, and of the sea-trout which in those blessed days thronged the rivers and loughs of Connemara.

It was to the west that he took us on our first visit. We drifted Corrib and lovely Tawnyard, and were mightily buffeted on Shindilla and at Ballynahinch.

In truth we caught precious little, for we were pretty inept and the wind was awful. But we delighted in that bare, boggy, watery landscape, and in the love that our guide had for it.



We went again a few years later, and were slightly more successful. We stayed first at Cong, the village between Mask and Corrib. I caught my first salmon on fly from the river there, and we had an intriguing day boating over the white sand of Lough Carra.

The highlight, though, was a magnificent trout which Niall took where the waters of Mask dash down the Cong canal towards Corrib. He caught that fish on a wet fly while the rest of us were confounded by the conditions. We ate it in in our fingers as the fire died down, and the sun sank over Joyce's Country.

From Cong we journeyed to a very different landscape, soft, green Tipperary, and the Suir, which I think Niall loved best of any river away from his home. He winkled out a few, but the rest of us caught nothing, for the trout were simply too clever to be duped by our clumsy ways.

It is the Suir which has drawn me back to Ireland year after year; that, and the Blackwater near Mallow, where one of Niall's brothers has a tempting stretch; and of course the Boyne and the Deel, which meander through the fields near his home in County Meath – superb limestone streams whose blighting by the dredgers Niall railed against so eloquently, and whose faltering rebirth gave him such pleasure.

One memorable September we rented Careysville, the Duke of Devonshire's lodge on the Blackwater. The fishing was superb, the best we ever had; the eating and drinking and gaiety were on the epic scale.

One night Niall subsided to the floor under the gaze of the great Irish moose whose head stood over the snooker table.

Next morning he told us how he had woken in the night convinced that he had lost his false teeth, and how he had searched for them in the dark – he could not explain why he hadn't turned on the light – and how at length he had located the gnashers where he had left them, beside his bed.

He loved English fishing too. He came each summer to join sundry of his brothers on the Kennet. And with us there was a succession of trips to the Eden in Cumberland, all of them enriched by Niall's wisdom and humanity.

He showed us aspects of the river which had escaped us: the hatch of the blue winged olive and the fall of the hawthorn, and where the big trout lay in the currant bush run.

Niall was chiefly responsible for turning me from tyro into the middle-ranking journeyman fly-fisher which is all I shall ever be.

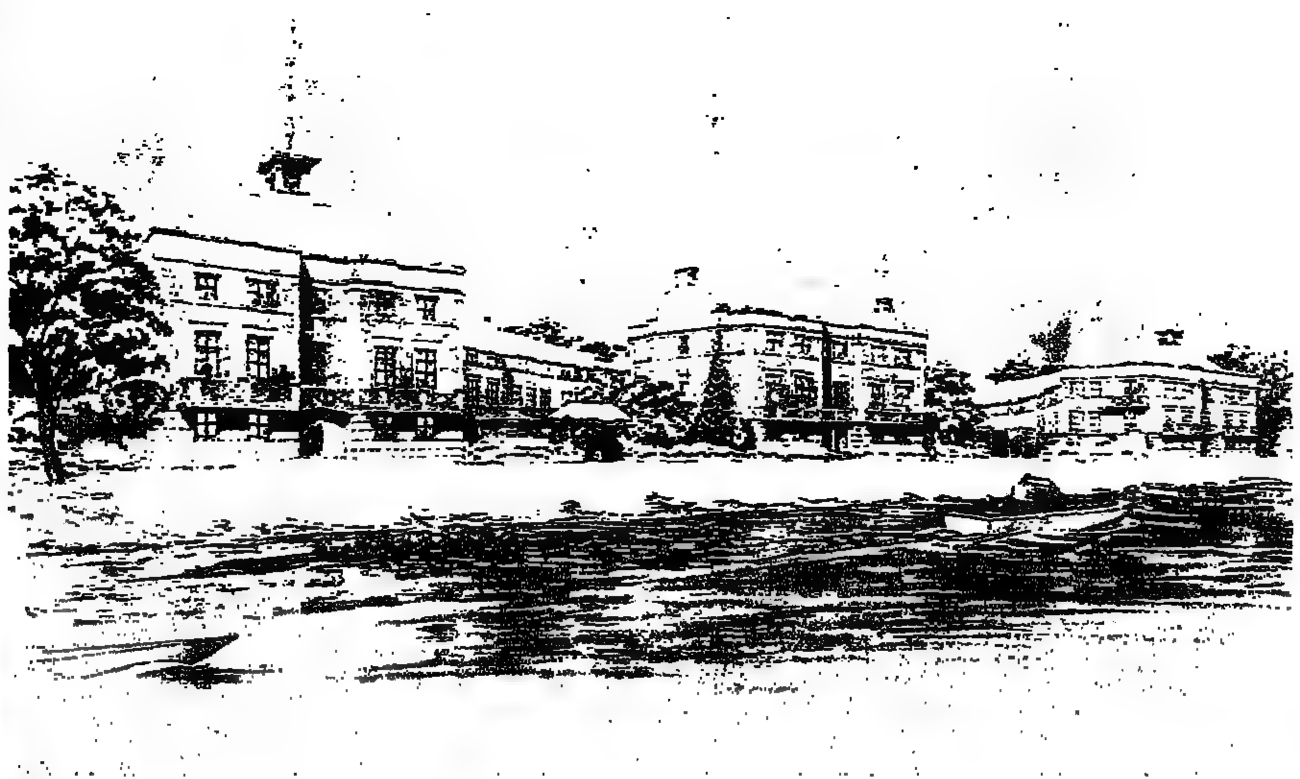
He showed me how to catch trout from the Suir, which convinced me that I might stand a chance of catching them anywhere. And it was on the Suir that we last fished the fly together.

During daylight hours I did better than him, for the first and only time. Come evening, and we fished at Drangan, above Cahir. It was warm and still, and the surface was molten gold as the trout chased the blue winged olives. Niall caught fish after fish, he couldn't remember how many, but enough to make it a grand evening, the latest – and last – of so many.

Many years ago he gave me a copy of his first-rate book, *Fly Fishing For Irish Trout*. After I heard of his death, I looked it out. He had written in it an Irish exhortation, translated as: "To the good man of the rivers, the trout and plenty of whiskey." It seems a fitting epitaph.

PROPERTY

The river walk along the waterfront at Barratt's Sovereign View development in Rotherhithe, London Docklands



An artist's impression of the new development at Royal Thames Crescent, Chiswick, London, where half the homes have already been sold

Capital riverside homes

Mary Wilson looks at new developments alongside the river Thames

The past few years have seen a spate of developments along the Thames riverbanks. Eventually, it will be possible to walk alongside the river from Hampton Court to Greenwich – although there are stretches which will remain impassable for years.

For example, at Wandsworth a stretch of private gardens runs down to the water. Unless the area adjoining the river can be compulsory purchased, which is unlikely in the near future, nothing can be done.

Barrett Southern has 12 sites on the Thames embankment. "We work in close co-operation with all the planning authorities," says David Pretty, chairman. "On virtually all the sites we have had to provide walkways as one of the planning requirements, but we are very happy to accommodate these. We take the cost of this into account when initially evaluating the site.

"In Rotherhithe, we have provided half a mile of walkways at our developments Sovereign View, Pageants Step and their latest acquisition, Bull Head Dock, which are lit up at night with period-style lighting.

"I think it is marvellous that life is being brought back to the river Thames. It is a beautiful river and the Thames is just as impressive as the Seine, for example, which is far more utilised along its banks," says Pretty.

The River Thames Society is looking closely at the appearance and situation of new developments. "In general, most developers want to make their sites a success and therefore look good," says Bill Gill, chairman. "What worries us most is the lack of use of the Thames by private craft and the lack of moorings. So we encourage any provision of those."

At Chiswick, at its Corney Reach development, Ideal Homes is putting in a new pier and pontoon, with permanent moorings for eight houseboats and more for overnight visiting craft. Two other developers, McAlpine and Barratt, are also building along that part of the Thames.

At Corney Reach, there will be 196 one, two and three-bedroom flats and three and four-bedroom houses. Ideal is also building a Thames-side piazza and boathouse for The Corney Reach Development Trust and Thames Explorer Trust, and bar and restaurant for the use of the general public as well as home owners.

An artist's impression of the new development planned for Albert Bridge, Chelsea

"It was the objective of the old Greater London Authority plan to have access right along the Thames", says David Croley, the architect for the site.

"The co-ordination of it is handled by local authorities and we all have to submit and have approved our designs for the walkways, which might differ where a scheme has a particularly architectural character."

At McAlpine's development of 97 properties, of which only 20 three-bedroom townhouses are still for sale, its new path joins up with an older one running alongside an established block of flats. "Our walkway was designed to fit in with our development, with black bollards and Victorian columns," says Bob Fordham, contracts manager.

Mooring facilities are also being installed by Frendcastle, which is developing a £17m site near Wandsworth Park, to be called Prospect Quay. There, flats and houses are being built on the former Calor site.

The walkway was one of the priorities on the development and Peter Banks, Frendcastle's managing director, who lives on a houseboat at Kew, really understands the Thames and its importance to London.

"The Wandle delta area is a hugely sensitive one to the local community and Wandsworth council has a strategic plan for it," says Robert Wilson-Pemberton, of Winkworths, which has been involved with all Frendcastle's projects. The Wandle – hence the name Wandsworth – is the river running north to join the Thames near Prospect quay.

A little further up the river, at Richmond, a controversial development called Richmond Bridge is being built on the site of the former ice rink. Large upmarket flats and townhouses are being constructed by Delta UK.

David Ashcroft, Delta's managing director, says: "Richmond already had very good walkways on both banks, which are choc-a-bloc on hot summer days. We were made particularly aware of how much they are used when we put in a rain water outfall into the Thames. We had to close off the walkways for some time and there were a good number of people who were most displeased."

Near Albert Bridge, where Delta has been advising on a new development which is planned for the spring, there are plans to put in new steps from the bridge down to the walkway, along with a ramp for elderly people.

On the south side of the river at Battersea, Berkeley Homes is putting up a development. The walkways there have been built so that walkers cannot look into the ground floor flats. A restaurant and wine bar will be included in the project behind riverside apartments which will be open to the general public.

"There are very tight planning restrictions on what materials to use for the walkways, how wide it is and what the the railings should look like," says Peter Nesbitt, managing director of Berkeley Homes (Kent).

"I, personally, think this is too rigorous, as it would make for a far more interesting stretch of riverside walk if it was more varied, as well as being cohesive."

With so much development alongside the river surely the next sensible step would be to re-introduce the river buses so that the riverside residents can use the Thames, as well as walk beside it.

TRAVEL

The bare bones of not-so-ancient Rome

Nigel Spivey visits a bizarre crypt in Italy's capital city

Baroque overkill: the Capuchin crypt off the Piazza Barberini, Rome

Snow is a rare pilgrim to *Rome. Rain batters the* city with violence, but infrequently. To the Romans, nonetheless, it is diabolically cold.

The enthusiasm with which the women insulate themselves in boots and leathers make it a fetishist's paradise. The shopping streets of *the city's centro storico are always a catwalk, but never more feline than* when purring with furs. Yet most visitors in winter find clear skies, and palely warming sunshine.

There are sound reasons for going to Rome in this not-so-cold season. Not least, it is deemed "low" in terms of tariffs, and with the lira making no attempt to be forte, Italy has become affordable again.

Tourists are not many, and those in evidence seem the knowledgeable sort. No unhappy trails of gawpers – although one should not expect the Sistine Chapel to be a haven of quiet contemplation – and no global "yoof" with crushing rucksacks.

The archaeological sites are all open, and their guardians in better dispositions than at the height of maddening summer. Some restaurants, remembering that there is little point in owning a fur coat unless you can preen it in public, still put tables on the pavements. The short days and low sun emphasise the unique tawny, time-stained levels of the city's skyline. In short, winter improves Rome.

I went in December, at the time of the Feast of the Immaculate Conception. The column to the Blessed Virgin in the Piazza di Spagna, a favourite place of tourist rendezvous since the 18th century, was piled with floral tributes.

An open-air orchestra of the bus and tram drivers' union played a medley of classical pop tunes, and crowds of families processed through the edible atmosphere of roasting chestnuts. Prayers were chanted, and lottery tickets chanced. In due time, the Pope would appear. "What will he say?" I *asked a coffee-slurping neighbour.* "Oh, he always says the same thing now," she said. "Week after week, he tells us to have more children. The problem *is, most of the people* listening to him are nuns."

That is a problem. And it is a tragedy that Italy, the country which treats children better than anywhere else in the world, is suffering from zero population growth. Still, Rome on the day of the Immaculate Conception was a *bright and optimistic place. Since I* had a reliable prediction of the papal message for the day, I left the crowds for a random wander.

Rome is a city which, however well you think you know it, always harbours a surprise for the footloose. On this occasion there was a nicely timed irony too. Everyone else was celebrating overtures of birth. I strayed into an unremitting den of death.

"What you are now, we once were." So reads a scrawled placard near the entrance. "What we are now, you will be." As you focus your eyes within the Capuchin crypt off the Piazza Barberini, it takes a minute or two to realise the force of this casual caveat. An avenue of small chapels is immediately apparent, and each chapel is densely decorated. So far it seems like a rather tawdry, and very dusty, example of Baroque overkill. But that is an unfortunate way of putting it. For the exclusive materials of decoration here are the ossified remains of 4,000 monks. This is stucco with stiffs; bony embroidery; cadaverous collage.

The intentions of this memorial, conceived in 1764, are far from a mockery of death. The decorative components belonged to brothers of the order who were distinguished for saintliness, going back to 1528. The floor of their tomb was sprinkled with soil from Jerusalem. That piety discharged, the bone-masons let their design fantasies run free.

The various chapels may contain one or two entire skeletons of named friars, some still wearing tatters of robes and hoods. But otherwise, a comprehensive anonymity is ensured by gathering bodily components according to shape, and deploying them for both abstract and figurative schemes.

So dozens of pelvises form swirls and rosettes. Nuggets of vertebrae make tracery around the walls and over the ceiling. Thigh bones are stacked like document rolls, and pseudo-columns are formed by piles of crania. One skull is made grotesquely humanoid by the addition of two knee-caps *as ears.*

Knuckles supply pretty little cornices, and clavicles delicate struts. Above a niche dedicated to two infant fatalities of the presiding Barberini family, death has been figured in a traditional image, carrying a scythe in one hand and a set of scales in the other. When the image of death is composed with the relics of his victims, his onset seems doubly remorseless.

A living friar in traditional habit sits on a chair at the entrance, selling souvenirs and wagging his finger *at anyone who fails to make a* voluntary donation. It is somehow odd to see him chatting on the telephone. Yet when a vagabond reels in through the doorway his response is gladdening enough: he rummages in a huge brown paper sack and hands out what looks like a very nourishing filled roll.

Whether other visitors lured into this crypt emerge with the required spirituality, however, is open to doubt. One ought to ascend the steps of the adjacent church, resign oneself to life's brevity, and purify *the soul for the abandonment of its* temporary hostel of flesh and bones. But I suspect that most who discover this monument will feel that the best immediate response is to hurry off for a good meal – while one can.

■ *Nigel Spivey flew to Rome with Alitalia (0171-602 7111) and returned with British Airways (0181-897 4000).*

SPORT / MOTORING

Golf / **Derek Lawrenson**

Strain shows at the top

What has happened to the once sedate sport of golf? Aren't people supposed to enjoy playing into old age?

It is a question worth posing as a new European season gets under way amid an assortment of career-threatening injuries to top players.

On the eve of the Johnnie Walker Classic in Singapore last week, Fred Couples revealed that his chronic back condition was deteriorating and that he only expected to be playing golf for another five years.

At least Couples made it to the first tee of the first event. Severiano Ballesteros and Jose-Maria Olazabal did not even get that far. The last public sighting of Ballesteros was at the Ryder Cup in September. Last week at Pedrena, his home club near Santander in northern Spain, he hit his first shots since the Oak Hill event.

A partial explanation for Ballesteros's long absence has been a loss of desire after 20 years of constantly playing golf. But the lack of enthusiasm has been largely caused by being unable to swing the club in the manner of old. Yes, Ballesteros is another with a chronic back condition.

Olazabal's season was ruined last year by the saga of a swollen toe that has developed worrying complications. "He is very depressed because after six months out of the game he still cannot see any progress," said Sergio Gomez, his manager.

It was last winter that a toe was shortened to prevent discomfort. Initial reports suggested that Olazabal would be reporting for duty four weeks before defending the US Masters at Augusta in April.

When he appeared he was limping so heavily that walking five miles a day around a golf course appeared a decidedly perverse remedy. It will improve, it is not painful, Olazabal insisted.

By summer it had not improved at all. After every round he plunged the toe into a vat of ice to ease the suffering. By autumn, Olazabal had stopped playing altogether.

Over the winter Olazabal's worst fears were confirmed when the toe was diagnosed as arthritic. Arthritis runs in the Olazabal family.

Olazabal was due to return to the tour in Singapore last week. Now the Dubai Desert Classic in the middle of March has been pencilled in but Gomez's comments make this appear unlikely. The problem now is that once the toe flares up other joints throughout his body become inflamed.

The only good news on the subject of golfing injury comes from Welshman Ian Woosnam. Last winter his back was giving him such pain that he thought he would have to give up the game.

On the eve of last week's event he was still having treatment to alleviate stiffness in the troubled area. The doctor also recommended an ice pack on his lower back for an hour each day. The improvement was dramatic, Woosnam rising from the treatment table to win his first tournament for 14 months.

Quite why the modern generation of golfers suffers such devastating injuries is not easy to explain. It did not used to happen. Jack Nicklaus, for example, has played in every major championship since 1962; at Lytham, in July, Gary Player will turn up for his 42nd consecutive Open.

Clearly the golf swing involves an unnatural body movement that in the follow through results in stress on the lower back. But why are injuries so current when so few top players suffered in the past?

One argument is that players practise more – but no one practised harder than Player.

All tours now employ full-time physiotherapists. In Europe, a bus equipped with treatment tables and a gym follows the players around.

Guy Delavace, who runs it, says: "It is no mystery to me why there are so many injuries to golfers. It is difficult to imagine anything worse for the back than the golf swing. But there are things the players can do to help and most of them take notice of advice."

Ballesteros's case offers a cautionary tale to young golfers. In his youth, he swung so hard that at the end of his follow-through his body shape was that of an inverted C. Combined with a flashing smile it was one of the most wondrous sights in sport. But what a price he has paid.

A long season involving immense amounts of travel cannot do much for the back. The European year, for example, only visits Europe once in the first seven weeks. After Singapore the players visited Australia this week, with forthcoming tournaments in South Africa, Africa and the Middle East.

Anyone who plays in all those events can be forgiven for holding his lower back in both hands and stretching forward as he gets off the aircraft.

Welshman Arwel Thomas doing the unthinkable – playing for an English club

David Rogers/Allsport

Rugby / **Huw Richards**

No 10: the shirt that defines a nation's pride

American author Theodore White, in his classic *Making of the President 1960*, spoke of the defining moment at which an aspirant politician was transformed, never to be the same again, as he succeeded to the White House, in the process becoming half man and half the embodiment of the nation.

Sport, too, has roles that set their holder apart, conferring a significance that goes beyond immediate achievement – and few more so than the number 10 shirt in the Welsh Rugby Union XV.

Kevin Bowring, the new Wales coach, was quoted last week as saying: "There is an innate Welsh style, something based on intuition and imagination."

Central to that style has been a succession of sharp, quick-witted and generally small outside-halves: a line stretching back to the Swansea trio of Evan James, Billy Trew and Dick Jones in the Welsh game's great turn-of-the-century era, and epitomised in recent times by David Watkins, Barry John, Phil Bennett and Jonathan Davies.

Latest in line is 21-year-old Arwel Thomas, who made his debut last month against Italy. To the manner born – even to the extent of coming from Trebanos, the same west Wales village which produced that epitome of classic scrum-half virtues, Robert Jones – he is even more symbolic of what Welsh rugby is and might become than most of his predecessors. There is one simple reason for this: he plays his club rugby in England, for Bristol.

This is not unprecedented. Watcyn Thomas, skipper in the 1930s, played for Waterloo. Clem Thomas, the fearsome Swansea forward, had a short spell with Coventry in the 1950s, while Jeff Young, hooker in the 1970s, played for Harrogate. Additionally, 58 internationals have come from that fine hybrid growth, London Welsh, based at Kew, west London.

It is convenient for Thomas, a student at Bristol's Filton technical college, to play locally. But for an ambitious young Welshman to choose to further his career in England, particularly in a city little more than an hour from any of a dozen leading Welsh clubs, would have been unthinkable a decade ago.

Then, England players such as Maurice Colclough, who joined Swansea, and John Scott (Cardiff) proclaimed the English club scene insufficiently demanding, and most trips across the Severn bridge were regarded as gentle relief from the ferocious competition in Wales.

Not any more. England's Courage League offers a higher standard of competition. Increasingly, with big money pouring into clubs such as Newcastle and Saracens, it is able to offer better terms to prospective players.

> Bowring's first Five Nations selection shows he will not fail for lack of courage

The worry for Welsh clubs is that, while lessening the threat of rugby league, open professionalism could have unleashed an even more potent attraction for their top players – big money for playing the game in England without the drawbacks of a life ban, or the adjustment to a new game.

Welsh players currently considering offers include Thomas's half-back partner Robert Howley of Bridgend who has been signed provisionally by London club Saracens.

The spectre preoccupying them is that of Scotland's football league – an unmatched source of talent but, for most of the past century, a feeder to wealthy clubs across the border.

From Scottish soccer's viewpoint, the saving grace was continued parity with England in head-to-head international meetings. Wales's chances of doing the same in Rugby Union depend on it remaining as the sport chosen by top athletes in the urban coastal plane that stretches from Llanelli in the west to Newport in the east. There are, though, growing signs that Thomas could be at the forefront of a fresh wave of talent that includes full-back Justin Thomas, centre Leigh Davies, flanker Gwyn Jones and a young Swansea front row.

If they develop under Bowring's leadership, Wales should be serious contenders for the Five Nations crown in another year or two.

Bowring's first Five Nations selection, particularly at half-back, shows he will not fail for lack of courage. Howley has been close to a place for three or four seasons and would probably have made it before now, but for an ill-judged and short-lived change of club two years ago.

His predecessor, Andy Moore of Cardiff, has let no one down in his appearances but the new combination maximises Wales's attacking potential. Bowring's courage recalls the move in 1988 by Tony Gray, then coach. Gray dropped established full-back Paul Thorburn – to much derision – in favour of Tony Clement's vivid attacking talent.

Gray was rewarded by a brilliant 11-3 defeat of England at Twickenham and a Triple Crown. This year the odds are that youthful exuberance will eventually be seen off by the power of England's forwards, but the Welsh dark age may be nearing its end.

Scotland's meeting with France at Murrayfield, where the winners will be halfway to a grand slam, is harder to predict. Their past two meetings have been decided by final-minute scores: the now-retired Gavin Hastings pinched it for Scotland in Paris last season, while Emile N'Tamack took revenge for the French in the World Cup at Pretoria. Hopes are high, once again, of a thrilling encounter.

France hardly convinced in beating England two weeks ago and their apparent addiction to back-row moves is unlikely to pay against the Scots, strong as ever around the fringes.

Scotland should have the edge at half-back and are capable of holding their own in the set-pieces. They will remember also that, in spite of a French win there in 1994, Murrayfield has been the visitors' least-favourite international ground over the past 20 years. Scotland then, but not by much.

Football / **John Perlman**

African Cup attracts the wealthy scouts

With kick-off just a couple of hours away, a little cluster of boyish footballers gathered around Tony Yeboah in a quiet corner of a Port Elizabeth hotel.

Occasionally one would say something but mostly they listened. And when the team went out and took old rivals Cote D'Ivoire apart – sparked by Yeboah's scissors kick for the first of two goals – it was clear they had listened well.

That was at the start of the African Cup of Nations and, on that performance, Ghana looked the team to beat. It did not turn out that way. Ghana came up against a rampant South Africa in the semi-finals, who look favourites to win the final against Tunisia in Johannesburg this afternoon.

But at least the Ghanaians can pack for the flight north knowing that their football future looks bright.

From the first whistle, Ghana entrusted their fate to a remarkably youthful side. In a team whose average age was just 23, most of the players were 21 and younger. Torino star Abedi Pele, 31, and Yeboah were the aces on which Ghana turned. The forward momentum, thrilling at times, was provided by gifted young players such as Mallam Yahaya, the Borussia Dortmund midfielder, and Sam Johnson, a defender capable of rugged tackling at the back and real skill in attack.

In a tournament which saw few compelling team performances, and little football of sustained quality that might suggest a significant challenge to Europe and South America in the coming World Cup, the impressive advance of Ghana's young players – most of them under-17 and under-20 World Cup medallists in 1991 and 1993 – may well have been the most encouraging aspect of this 20th African Cup of Nations.

There were a few young stars in other teams, none brighter than South Africa's 21-year-old central defender Mark Fish. Like Johnson, Fish – a product of one of Pretoria's top rugby playing schools – is a player who loves storming forward in attack and scored in a 2-1 win over Algeria in the quarter finals.

Even the reflecting sunglasses seemingly worn by all the scouts from Italy's Serie A clubs could not hide the collective glint in their eyes. Sampdoria's was the first bid but there are others.

There have been other individual triumphs over the past three weeks. Kalusha Bwalya, the Zambian skipper and one of Africa's most revered players, played brilliantly. So did Pele. So too did Sergio Matsolo, a Mozambican right-back, and Imed Ben Younes, Tunisia's youthful striker.

Earlier, Gabon, exciting outsiders, topped the group that should have starred Nigeria, absent for political reasons.

The presence of Nigeria, the defending champions and arguably Africa's best team, would certainly have lifted the standard. They would also have helped to fill some seats in a tournament at which many players had to look for inner inspiration in empty stadiums.

The pathetic crowds at many games – just 500 people watched Ghana play Tunisia – certainly did not inspire great football. But the tournament has also highlighted African football's deeper problems and in particular a divide between national officials and players now used to getting both money and respect in Europe.

George Weah, the Liberian striker and world footballer of the year, announced his arrival at the tournament by hitting out at African officials for wanting to "keep African players down" and denying them both money and respect.

"In Europe if the club president drives a Ferrari, the players will also drive a Ferrari," he said. "But in Africa, if the club president drives a Mercedes, he would want the players to have a smaller car."

Relationships between Weah – who had personally funded the team's qualifying campaign – and Liberian officials seemed to sour quickly. By the second game he was threatening to quit international football unless the authorities started putting money into the game.

For most African players though, even those flourishing in Europe, the Cup of Nations is still clearly a passion and a priority. "When I play for Ghana I play with my heart," Yeboah said. "I don't play for the money because they don't give me enough money."

Perhaps Yeboah, unlike Weah, was able to look around him on the pitch and feel part of something wonderful in the making. "We Ghanaians have a special talent for producing a lot of young players even though we are a poor third world country," he said. "Maybe it's a gift from God."

Wherever the gift comes from, Ghana – not blessed with wealth – has shown that it need not be squandered.

Motoring / **Stuart Marshall**

Remember, Jeeps do not jump

Descending a waterfall in a luxury car sounds like motoring madness. To the Jeep Grand Cherokee, though, it was nothing more than the routine negotiation of an off-road hazard.

The drill was to slip the automatic transmission selector into first, select low-range four-wheel drive – and let the Grand Cherokee topple slowly over the edge. Then it was feet off the pedals, steer round an overhanging tree and a rocky outcrop, and wait for the Jeep to wind itself down the 45 degree slope and plunge gently into the pool at the bottom.

Finally, a touch of acceleration and, with nothing but the sky in view over the broad bonnet, it heaved itself up an equally steep slope ready for whatever came next.

Taking a 4x4 over rough country has more in common with riding a horse than driving a car on the road. When a rider sees an obstacle, he chooses the best line of approach and urges his mount over. Then he checks it while sizing up the next thing to be jumped over or splashed through.

Jeeps do not jump – or, at least, they should not be made to. Forget those television or magazine pictures of 4x4s with all wheels in the air. They look dramatic, but that kind of driving is nonsensical and a recipe for disaster. The whole point of having four-wheel drive is to maximise traction. The most rugged cross-country tyre cannot grip unless it is on the ground.

So, the secret of getting there and back again in an undamaged off-roader is to drive slowly and carefully. In low-range first gear, engine compression keeps your speed under control on the steepest downgrades.

The only time your right foot should ever be trying to press the accelerator through the floor is when building up speed to rush a very steep climb – as when, flat out in second and with its four-litre, in-line six-cylinder engine producing 174 horsepower, I charged and then flew up that very steep slope.

Few, if any, users will submit their Grand Cherokees to this kind of treatment. Most will have it as a roomy, luxurious estate car. It is a large car but not over-bulky, like two well-known Japanese "Tonka Toy" 4x4s. Apart from its abilities on rough terrain, it carries five people in great comfort, will make light of towing a horse trailer and is a quiet and long-legged motorway cruiser.

The Grand Cherokee, newly available with right-hand steering, has automatic transmission, air-conditioning, leather seats (the front ones heated and power adjustable), cruise control, twin airbags, remote central locking with alarm/immobiliser, and anti-lock brakes. In short, just about everything senior business user/choosers insist upon.

Remarkably, all this comes for £28,995, which makes a Grand Cherokee nearly £10,000 cheaper than a comparably equipped 4-litre Range Rover and £8,000 less than a 3.5-litre Mitsubishi Shogun. The interior is of understated European elegance; the only optional extras are a sunroof (£645 but, with air-conditioning, who needs it?) and an autochange CD player (£492).

On the motorway, the Grand Cherokee whispers along effortlessly at 80mph (128kph) and only a shade over 2,000rpm. It has enough acceleration to keep hard-driving company reps at bay and slips silkily into third for rapid overtaking. Realistically, it should do 17/18 miles per gallon (16.6-15.7 l/100km) – more if driven gently on journeys, less in stop-start city driving.

The obvious question is: how does it compare with the Range Rover? And the answer is: very well indeed. Although it has conventional coil springs, not the Range Rover's elaborate height-adjustable air suspension, the Grand Cherokee is nearly as comfortable.

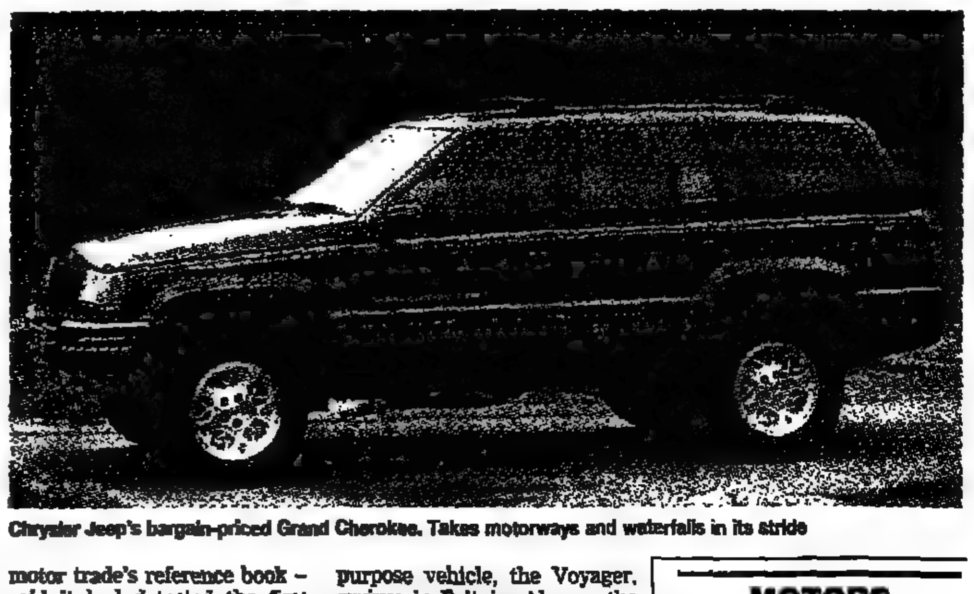
It cannot quite match the Range Rover's standing-start acceleration, and its maximum speed is lower: 104mph (166kph) against 110mph (176kph). But, more importantly, its pick-up from 30mph (50kph) to 70mph (112kph) is better and it uses about 10 per cent less petrol.

The latest Range Rover, with its spare wheel under the load floor, beats the Jeep hands down for luggage space because its spare wheel is stowed inside. But Chrysler Jeep Imports will offer an optional extra external carrier before long.

Late last year, Glass's Guide to car values – the British motor trade's reference book – said it had detected the first signs of steam running out in the market for recreational on-off/road vehicles. But it has not happened to Jeep, which saw UK sales rise 18 per cent in 1995 and expects confidently that they will go higher still this year.

Chrysler Corporation, and Chrysler Jeep Imports, have, however, hedged their bets. In October, a new version of the world's best-selling multi-purpose vehicle, the Voyager, arrives in Britain. Also on the way are right-hand drive versions of the Chrysler Nova, a Ford Mondeo-sized two-litre, and the Stratos, a 2.5-litre executive saloon. Prices, like those of the Jeep, are bound to be very keen.

It seems odd that, of all the US car-makers, only Chrysler is aware that a great many buyers live in countries where the traffic drives on the left-hand side of the road.



Chrysler Jeep's bargain-priced Grand Cherokee. Takes motorways and waterfalls in its stride

FOOD AND DRINK

Wine / **Jancis Robinson**

Discoveries in German wines

Wanted. charismatic German. Some knowledge of wine preferred but not essential. So might run an advertisement for what the German wine trade needs desperately.

California wine was put on the world map in the late 1970s, thanks to Robert Mondavi, its compelling ambassador. Today his work is continued by a host of laconic cowboys while Australia ships ort sports-literate wine salesmen by the dozen.

The French and Italian wine businesses can each field a richly varied cast of characters to help promote and sell their bottles. But however charming and knowledgeable some individual German wine producers may be, there are few extroverts. German wine is left largely to sell itself.

This has been disastrous, because the German wines most people are exposed to are dire – cheap. mousey sugarwaters.

Fine German wine, which has evolved considerably in the last few years so that it is in general drier and less obviously sulphur-laden, still takes some understanding and explaining. This is why, in the absence of a Mondavi figure, it is only a 10th as keenly appreciated as it deserves to be.

But a nervy, tingling. all-singing, all-dancing featherweight wine from the upper reaches of the Mosel can be a gorgeous aperitif even in midwinter – considerably less expensive and more imaginative than champagne.

And now that Germany's quality-conscious producers are deliberately making drier wines at every level, Germany produces hundreds of wines that go much better with most foods than the average, somewhat galumphing, Chardonnay.

Nowadays most Kabinett and many Spätlese wines even without the words *trocken* (dry) or *halbtrocken* (medium dry) on a German wine label are dry enough to serve with food. They can add real zest to all sorts of fish, vegetable and chicken dishes as well as the antipasto, charcuterie and cheese that constitute many a meal.

The full-bodied fruit essences now coming from the Pfalz region, Germany's most dynamic, can lift even game on to another plane.

Unlike many parts of France, Germany has had an unbroken run of good to excellent vintages. The 1994s and many 1993s are gorgeous now, in full youthful bloom, but are also worth squirrelling away for another eight to 10 years. Like red bordeaux, with which it has a surprising amount in common, fine German wine tends to go through an awkward stage from which, for example, the 1988s are only just emerging.

Oddbins, the UK wine chain, and Justerini & Brooks of London SW1 and Edinburgh, are unparalleled in the effort they expend to present the British wine-buying public with the best of modern, winemaking Germany. Oddbins concentrates, although not exclusively, on the fruity, alcoholic wines of the Pfalz. Müller-Catoir is already an international superstar, but even winemaking of this quality can be had for less than £10 a bottle.

Any doubter would surely be convinced by Müller-Catoir's 1994 Haardter Bürgergarten Riesling Kabinett at £9.99, a dense, powerful, off-dry essence so explosive it almost suggests gunpowder.

Messmer and Kurt Darting are Oddbins' new Pfalz discoveries, together with Fuhrmann-Eymael, and Wittmann in Rheinhessen, all of them demonstrating that the German story does not begin and end with Riesling.

Justerini & Brooks' list is more classical and longer. This is the place to buy revered Mosel-Saar-Ruwer names such as von Schubert, Egon Müller, Fritz Haag and J J Prüm, whose wines tend to need a decade in bottle before they show their complex steely best.

J&B has also been clever enough to nab some of Reinhold Haardt's extremely fine Mosel Rieslings which show that Piesport really is a top quality wine village as well as lending its name to rubbish. A 1971 Auslese, tasted last autumn, was a tightknit web of mystery and, amazingly, seemed nowhere near its peak (compare and contrast with bordeaux). The 1993 Piesporter Goldtröpfchen Spätlese, which J &B list at £12.50, is still at its delightfully youthful open stage and could be cellared or drunk with pleasure.

The von Kesselstatt estate has been revived in recent years and seems to have done an energetic sales job on most British chains and supermarkets. Majestic sell its less concentrated but currently wonderfully open, currant bush-scented Piesporter Goldtröpfchen Riesling QbA 1994 at £6.99.

For the same bargain price Waitrose has a mature example, Mönchhof's Erdener Treppchen Spätlese 1989, which manages to be both delicate and full of substance – the defining trick of Mosel Riesling.

Among traditional merchants, Lay & Wheeler of Colchester, Essex, has a much better German list than most. It has some fine Mosels (including Zilliken's), sells the excellent Furhmann Eymael wines under its alter ego, Pfeffingen, and will also be selling Crusius' lovely, lively Nahe 1994s later this year.

Rivals Adnams, of Southwold, Suffolk, also takes Germany, especially Mosel Riesling, seriously and can field Dr Loosen's user-friendly wines.

Come to think of it, if German wine has a real character it is the impish Ernie Loosen, whose mineral-flavoured, concentrated 1989 Erdner Treppchen Kabinett is a mature marvel for which Berry Bros & Rudd, of St James', London, charge just £8.75.

I rest my case.

Tom Dimarzo: rock band drummer turned chef at the Vong restaurant in Knightsbridge

Trevor Humphries

Eating Out / **Nicholas Lander**

The Berkeley warms to the wok

Tom Dimarzo's last paying job in London was in 1978 as drummer for the rock band, Mink Deville, at the Hammersmith Odeon.

Today, thanks to a one-year work permit from the Home Office, he is back, playing to full houses. But he has exchanged his drums for a set of knives and woks, and swopped Hammersmith for a restaurant in Knightsbridge, underneath The Berkeley Hotel.

Dimarzo, now 41, is head chef at Vong, the London spin-off from a New York restaurant of the same name run by Jean-Georges Vongerichten. It opened within The Berkeley hotel in November. Although he says he feels "toasted" as a result of four months working 16 hours, six days a week, he is pleased by the public's reception of his cooking and the patronage of other chefs such as Bruno Loubet, Alastair Little, Pierre Koffmann, Simon Hopkinson and Gordon Ramsay, who have all been in to eat.

The Savoy Group, which owns The Berkeley, persuaded Vongerichten to come to London with Dimarzo, who was then his New York sous-chef. To accommodate them, £800,000 has been spent in transforming the staid Perroquet dining room into a bustling restaurant for the cuisine of south east Asia.

The peripheral reasons for Vong's success are obvious: its location, Keith Hobbs's design, good acoustics, sensitive lighting and charming service. There is theatre, too, with views of the kitchen and its flaming woks.

Vong's excitement is its food. You notice it first on the way from the bar when you see colourful plates en route to tables: a polished black and grey bowl of steaming chicken and coconut milk soup; lime green plates with crab spring rolls and tamarind sauce; or quail rubbed with Thai spices; a watercress salad: and a quickly fried quail's egg. A deep black bowl conveys sea bass in a sweet and sour mushroom broth and the grilled beef and noodles in ginger broth – a cross between the French *pot-au-feu* and the Thai dish *pho* – comes with a piece of bone marrow pierced by a long Thai chive bud.

Desserts are just as stunning and – unusually for a restaurant offering such Asian influence – are well capable of satisfying western appetites. A blue bowl of three green figs baked in port and Chinese honey comes with sticks of cinnamon and vanilla and a sesame slice carrying a scoop of cumin-vanilla ice cream. The unctuous, warm chocolate cake that comes with caramel sesame ice cream owes its origins to a recipe first created by Vongerichten's mother in Alsace, France.

The key to understanding what Vong is trying to do is revealed in the talk Dimarzo gives to any member of staff before they join.

"We're not trying to reinvent the wheel," he explains. "In cooking everything's been done before. But now we're a cog in the inevitable development of a world cuisine. By this I don't mean that everything has to be uniform, rather that we expand and broaden our tastes to include everything the world has to offer."

Vong's London opening is the culmination of a culinary world tour. It began when Louis Outhier, the renowned Provençal chef, travelled to Vietnam. What he learnt inspired Vongerichten, then a young chef working for him, who subsequently went to New York and eventually opened Vong.

The same global influences affect Vong's raw ingredients which Dimarzo estimates are 60 per cent western – such as the fish, dairy produce and Valrhona chocolate – and, more distinctively perhaps, 40 per cent Asian. These include Chinese leaf, bok choy, lemon grass, galangal ginger, lime leaf, Chinese turnip and what is known in the US as daikon and in Britain as mouli, large white radish.

Yet although chefs, recipes and culinary philosophies travel quickly and easily, the raw materials do not, as Dimarzo has learnt to his cost.

"Before we opened," he said, "both I and Jean-Georges came to London and were very impressed by the quality of what we saw in Chinatown and the prices. Things were much cheaper over here."

But by the time Vong opened in London things had changed. There have been severe floods in Thailand preventing the gathering and export of produce.

"There are only two or three air shipments a week which meant that we just couldn't get enough of say, Thai basil," Dimarzo said. "This type of basil, which infuses the sea bass broth most fortuitously, is less sweet than Genoese basil but turns black after one or two days."

Dimarzo, of Italian/Irish extraction, only now realises how much the success of Vong, serving its version of south east Asian food inspired by French chefs, depends on the agricultural produce of the US.

"In New York we buy hardly anything from Thailand, almost everything comes from Florida, California and, in the summer, we even get Chinese leaf and Chinese vegetables from New Jersey."

Lime leaf, kaffir lime, is the hardest to get hold of because it comes from a tree that takes 30 years to bear fruit. "Fortunately, there was a large influx of people from Vietnam, Cambodia and Thailand into south Los Angeles in the mid-1970s and they all planted trees which are now bearing leaves. "But when we have been really stuck in New York we have gone through the telephone directory and called up all the entries with Thai names."

Dimarzo is confident he will soon be able to solve any supply difficulty. For a chef who has spent only four months in a highly competitive city, his sole unease seems to be the prospect of reconciling Sunday opening, scheduled for next month, with seeing more of his wife and 18-month-old son. But he did admit to one advantage, which has been a key to his success so far. "One thing you learn as a musician is how to improvise."

■ *Vong, Wilton Place, Knightsbridge, London SW1X 7RL. Open Mon-Sat. Set lunch £20. Dinner about £35 a head. Tel: 0171-235 1010, fax 0171-235 1011.*

■ *Vong, 220 East 54th Street, New York 10022. Tel: 212-486 7682.*

Whisky / **Giles MacDonogh**

Guarding an old tradition

Macallan is one of those rare whiskies which is not part of a pack. There is John Grant at that other independent Speyside distillery, Glenfarclas, trying to compete with the big battalions, and there are the Wrights on the Kintyre Peninsula with their Springbank and an occasional Longrow. Then you have exhausted the list.

When you are just a minnow among porpoises you need to stress the good things which only a relatively small operation can do. Macallan's advertising has been brilliant in this respect: it has made a virtue of the things which the large companies have phased out because they were not cost-efficient.

You can start with barley. In most places they insist that it has no effect on flavour, that there are simply efficient and inefficient sorts. Willy Phillips, managing director, scoffs. He notes that they always use the word "appreciable", "appreciable difference", which means it does not suit their buying policy to lay down specific rules.

Macallan insists on at least 50 per cent Golden Promise. This, it maintains, has a real effect on the flavour of its malt. A couple of years ago it topped up with a winter barley called Halcyon, but it seems to have changed its mind about that. The rest is now Chariot: sweet Chariot.

Then there is the butt. The natural sweetness of Speyside whiskies was always complemented by a dash of flavouring from an old sherry butt. In the old days there were butts knocking about in all the distilleries, but they became rarer and more expensive and the butts were phased out. Some groups went to devious lengths to reproduce the effects through "wine treatment", but Macallan went the other way: the whole hogs-head, if you like, they decided to age everything sold under their label in first-use sherry butts.

A few years ago this meant fighting the process of evolution in Jerez too. More sherry producers were fermenting and ageing their wines in concrete or stainless steel vats. They had no use for butts.

Macallan had to buy the Asturian or Galician oak, season it in the arid climate of Jerez for two years, and literally foist it on a winemaker before they could get it back to the Highlands and their whisky.

There was so much resistance to this antediluvian practice that, at one stage, it looked as if they would have to buy a *bodega* in order to guarantee supplies. Now thinking has changed in Jerez. The growers have gone back to casks.

There is less anxiety among Macallan's directors. They have butts for the next three years, the whisky is safe until 2010, probably longer.

Again they can be proud of the fact they have taken no short-cuts. Kiln-dried hogsheads from Kentucky are of increasingly poor quality, jerry-built and leaky. They sneer at rinsing out casks with wine in the Glasgow suburbs: "You can't sherry a cask out of the sun of Jerez," is the phrase that you will hear. With every refill you lose efficacity: you must de-char and re-char the wood at the cooperage, and that means losing 30 per cent of flavour.

Some of what Macallan says seems a little harder to prove: that the air is particularly "sweet" in their part of Morayshire? Maybe, but then Speysides were ever sweet. They are in a good position, high above the rushing Spey, but unlike some of its neighbours, Macallan is not a pretty distillery: for all its inner beauty it looks like a rambling industrial site.

There are things Macallan lost in the years of folly, when the distilleries responded to demand by ripping out features regardless of the effects they had on quality. The distilleries lost the wooden washbacks, where the malt ferments. They regret the loss. They compensate by letting the beery wash "sit" for 60 hours, presumably to attract whatever friendly bacteria used to live in wooden washbacks.

Macallan keeps direct fires under its stills and it takes a smaller "cut" than most when it distils. This means that it stands less risk of getting that disagreeable feinty character of some whiskies: old socks, rancid butter, turnips, dirty dish-cloths. Anyone who has tasted a few malts has come across it.

Another important agent for quality in Macallan whisky is surely Frank Newlands, the general manager operations. Whereas some Scottish distillery managers seem to want to define the adjective laconic, Newlands bubbles over with garrulous enthusiasm for the armies of butts under his charge: "Here, dabble your fingers in this one!" he says, chancing on a particularly ancient barrel. Here is a man who loves his work.

Newlands' domain is his tasting room, where he superintends the vatting of each separate bottling of a 50-butt lot. As each cask will produce different results, he has to be on his guard against "product drift". After he has vatted 90 per cent of the whisky, he tests and tastes. There is no caramel colour in Macallan, if the whisky shows too pale he must find some darker malts to correct it.

The real joy of a visit to Frank's lair, however, lies in a nosing of the sample bottles at his disposal. The number of different aromas which can be thrown by the same whisky while it ages in amontillado or fino butts is remarkable. Here he thinks the resin had given something of a crystallised fruit smell, there the yeast has thrown off the smell of grapefruit. Above all there was fruit: figs, prunes, lemon zest, oranges or rosewater. Only Macallan's insistence on sherry butts can achieve this, and it guarantees the company's continued independence.

■ *The 10-year-old Macallan costs £21.50; the 18-year-old £35 and the 25-year-old retails at £74.*

Appetisers

A Spanish red that's a real steal

One of the most thrilling red wines among this year's pre-Christmas recommendations was Spain's first serious attempt to produce wine from the great grape of Hermitage, Syrah.

Marques de Grinon Dominio de Valdepusa Syrah 1993 is now available not just at Tesco's top stores but should be in all branches of Fullers wine shops around London.

The lush ripeness of this exuberant debutante fruit, together with the natural meatiness of the variety, makes a stunning combination that is already deliciously instructive for any Rhône or Shiraz enthusiast.

At £7.99 it is a steal (although its Chilean counterpart, Concha y Toro Unfiltered Syrah 1994, was even more of a bargain at £4.99 and is worth searching the darkest corners of your local Oddbins for).

Jancis Robinson

■ One of this page's favourite red wine bargains, Cono Sur Chilean Pinot Noir, is on special offer at Victoria Wine Cellars throughout the UK. From mid-February the chain will be selling the juicy but firm raspberry-scented 1995 at £4.39 (it is £4.49 at Oddbins and Fullers), and only £3.73 for six bottles.

Victoria Wine Cellars also has the entire British allocation of Cono Sur Merlot 1995 which is not the most concentrated Chilean Merlot (Casa Lapostolle 1994 Reserve at £7.99 from Oddbins is that) but is a good buy at £3.99 a bottle, or six bottles for £3.39 each.

Another Chilean red already recommended on these pages, La Fortuna's gamey Malbec 1994, is also reduced in price for this month at Victoria Wine Cellars and regular Wine Shop branches – from £4.79 to £4.29.

JR

■ The infusion of guest chefs at London's top hotels continues unabated. Sadly, I am coming to the conclusion that it may be a good thing for the hotels – staff exchange, new recipe ideas, better kitchen practice etc – but I am not so sure of the benefits to the customer.

In theory it *is* a good idea to inject some southern European warmth and vitality in to UK restaurants in February, often the bitterest month of the year weatherwise.

In practice, one often samples inappropriate menus containing out-of-season ingredients which do no good whatsoever to either the reputation of the guest chef, or the host hotelier. London in February is a very different proposition to, say, Tuscany in June.

So enter stage left, to meet this challenge, Attilio Di Fabrizio and his team from the Villa San Michele, Florence, who will cook at The Dorchester Hotel, in Park Lane, London, from February 16 to 24.

Dishes will include: Antipasti (£13), lentil soup with goose fillet (around £7) and main courses, priced from £12.50 to £21, might be florentine crèpes filled with spinach and cheese with pecorino fondue; a chick pea ravioli with a pesto of herbs; or risotto with scampi and cannellini beans. Desserts will cost about £6. A selection of Tuscan wines can be bought by the glass.

For reservations ring: 0171-629 8888.

Jill James

■ The London restaurant trade has also taken a real shine to Valentine's day. And because so many people do apparently take their nearest and dearest out to dinner on that day the prices appear to reflect demand.

Quaglino's special menu – glass of pink champagne, three-course dinner, coffee and chocolates – costs £70 a head if you want a reservation after 8pm. Should you want to eat dinner between 5.30pm and 7.30pm, the cost is £55. Menu details have not been finalised but for reservations at the St James's restaurant ring 0171-930 6767.

A more modestly priced menu – a glass of pink champagne, four courses, a half bottle of wine (vat and service included) – is on offer at The Brasserie on the Park, The Park Lane Hotel, Piccadilly, London, for a set price of £28 a person.

Chef Angelo Di Pasquali's menu includes: wild game terrine with hot brioche; langoustine salad with an orange and prune sauce; a granite; duck with madeira and wild mushroom sauce; and a chocolate parfait.

For reservations ring 0171-499 6321.

JJ.

BOOKS

Desire stalks the catwalk

Clothing has rarely been so frantic in its signals, or so blatant, writes **Clement Crisp**

During the 1930s, the writer Dodie Smith set up as a dress-designer under the banner "Quaint Clothes for Queer People". This could serve as subtitle for Valerie Steele's *Fetish*; Dr Steele, though, opts for the more obvious *Fashion, Sex and Power*. Here is a book about clothes and eroticism, and – to the uncommitted viewer – about garments both bizarre and inconvenient. Belts and straps, piercings and constraints, leather and rubber and pvc and satin and fur are in its wardrobe, with corsets like over-secure suitcases and dresses like bits of a catapault. There are shoes impossible to walk in, and cover-all gear that might – ironically, considering its sexual nature – serve as chastity belt.

Dress becomes sex, and a substitute for sex. Most of the outfits – the book is alarmingly illustrated – look both uncomfortable and improbable and, such being the nature of perversion, distinctly over-done. No-one would deny that clothes tell about sexual identity on a very subtle level. With fetishism, costume is *desire*. Steele is very serious about it all since she is "a cultural historian". She traces the migration of what was once closet dress – "wearing nothing but a crinoline and a gasmask, Colonel X was found asphyxiated in his bathroom" – into the rag trade.

We are led from tight-lacing (much favoured by German army offcers) and cross-dressing (Steele cites that tantalising volume *Pretty Panty Marine*) to the news that "in Brazil, the word for a dyke is *sapatao* which literally means *big shoes*". It is a small step to the catwalks of the fashion business and the vulgarities of Thierry Mugler, Jean-Paul Gaultier and Vivienne Westwood. What was once a private world of dominant women in nine-inch heels and menacing expressions, becomes the all-too-public circus of couture.

FETISH
by Valerie Steele
OUP £19.99, 252 pages

Kinky clothes are fashion, though few are the ladies in Godalming or Galashiels who set out for the supermarket in a pvc corset-dress with conical breasts and thigh-boots. In the cinema, the outfit worn by Catwoman in *Batman Returns* – high heels, rubber suit, breast harness, face-mask – was hailed in one "specialist" magazine as making "fetish fashion internationally known. Thus speeding up its triumphal march and gaining general approval." The view, like the grammar, is dubious.

Steele never flinches. Her research has covered such essential reading as *Female Impersonator News*, *Bondage Life*, *Corset Education Notes* and *Piercing Fans International Quarterly*. Seriousness is hard to take, though, when dealing with some of these outfits, and Steele is ever serious. "Indeed, Kawakubo once cryptically remarked that 'black is red'. Red is associated with the Scarlet Woman and the flames of hell." You long for her to dissolve into peals of laughter, but she never cracks a smile.

Yet, if it lacks a sense of the ridiculous – and these outfits are ridiculous, the high fashion even more than the secret garments – *Fetish* does identify the bizarre nature of dress as our century ends. Clothing has rarely been so frantic in its signals, or so blatant. There is an odd undercurrent to what people wear. Fashion, always a matter of fantasy, now offers a chance for very curious role-playing indeed.

When the saints went marching in

Was Abraham Lincoln right to initiate civil war in the cause of union? asks **Andrew Adonis**

Abraham Lincoln was beatified on the day of his assassination and passed into the company of American saints soon after. As his funeral train progressed slowly westwards from Washington to Springfield, Illinois, with frequent stops to exhibit the coffin, preachers and politicians outdid each other in their invocations of the Almighty.

"God brought him up as he brought David up", declared a celebrated Methodist bishop when the cortège reached Philadelphia. "It is impossible with that sacred presence in our midst for me to stand and speak of ordinary topics."

Biographers, alas, must speak of ordinary topics. Or rather, in Lincoln's case, of one extraordinary topic which is anything but sacred. Was Lincoln right to pursue a war with the southern confederate states – unleashing one of the most bloody conflicts in human history?

Lincoln dismissed the question in a speech of 272 words crafted like a gospel text. His address dedicating the war cemetery at Gettysberg – where 50,000 had recently been killed or wounded – justified the slaughter as the price of liberty.

LINCOLN
by David Herbert Donald
Jonathan Cape £30, 714 pages

"These dead shall not have died in vain," he proclaimed, because their mission was to give America "a new birth of freedom, [ensuring] that government of the people, by the people, for the people, shall not perish from the earth."

So did or did they not die in vain? David Herbert Donald, a professor at Harvard who has made Lincoln his life's work, does not discuss this critical issue in his new biography. He simply announces at the outset that Lincoln was the "greatest American president."

Thereafter his concern is with the evolution of Lincoln the politician. It is indeed a remarkable story, meticulously and elegantly told, of self-made advancement from abject "wild west" poverty to the White House.

The supreme political tactician of his day, Lincoln won the 1860 election with less than 40 per cent of the popular vote. He brilliantly manipulated Democrat divisions, while outmanoeuvring the front-runner for the Republican nomination by adopting a more conciliatory tone on the future of slavery.

As for his policy thereafter, Donald's interpretation is summed up in the 1864 Lincoln quotation he places at the front of the book: "I claim not to have controlled events, but confess plainly that events have controlled me."

This is nonsense, of course. The civil war could have been averted when Lincoln took office in March 1861 had he recognised the secession of the southern states and the confederate government they had already established.

The *casus belli* was Lincoln's decision to defend Fort Sumter, a federal garrison in the deep south at Charleston, South Carolina. The only reason for doing so was to start a war to reverse a secession from the United States which was already an accomplished fact. A secession, moreover, which was probably constitutional, and carried through by meetings of elected popular conventions.

Lincoln controlled this event, not *vice versa*. His decision followed the putting of this specific question to his cabinet: "Assuming it to be possible to now provision Fort Sumter ... is it wise to attempt it?" The response was evenly divided. Seward, secretary of state, told Lincoln bluntly that such a step would "provoke combat and probably initiate a civil war." Lincoln decided to proceed.

One claim alone supported his decision: that the union of states, forged by free consent barely 70 years before, should be regarded as indissoluble.

The abolition of slavery was not a war aim, but a result of the war. In retrospect, war was probably not necessary to achieve it, for it beggars belief that the south's "peculiar institution" would have long survived even in an independent south.

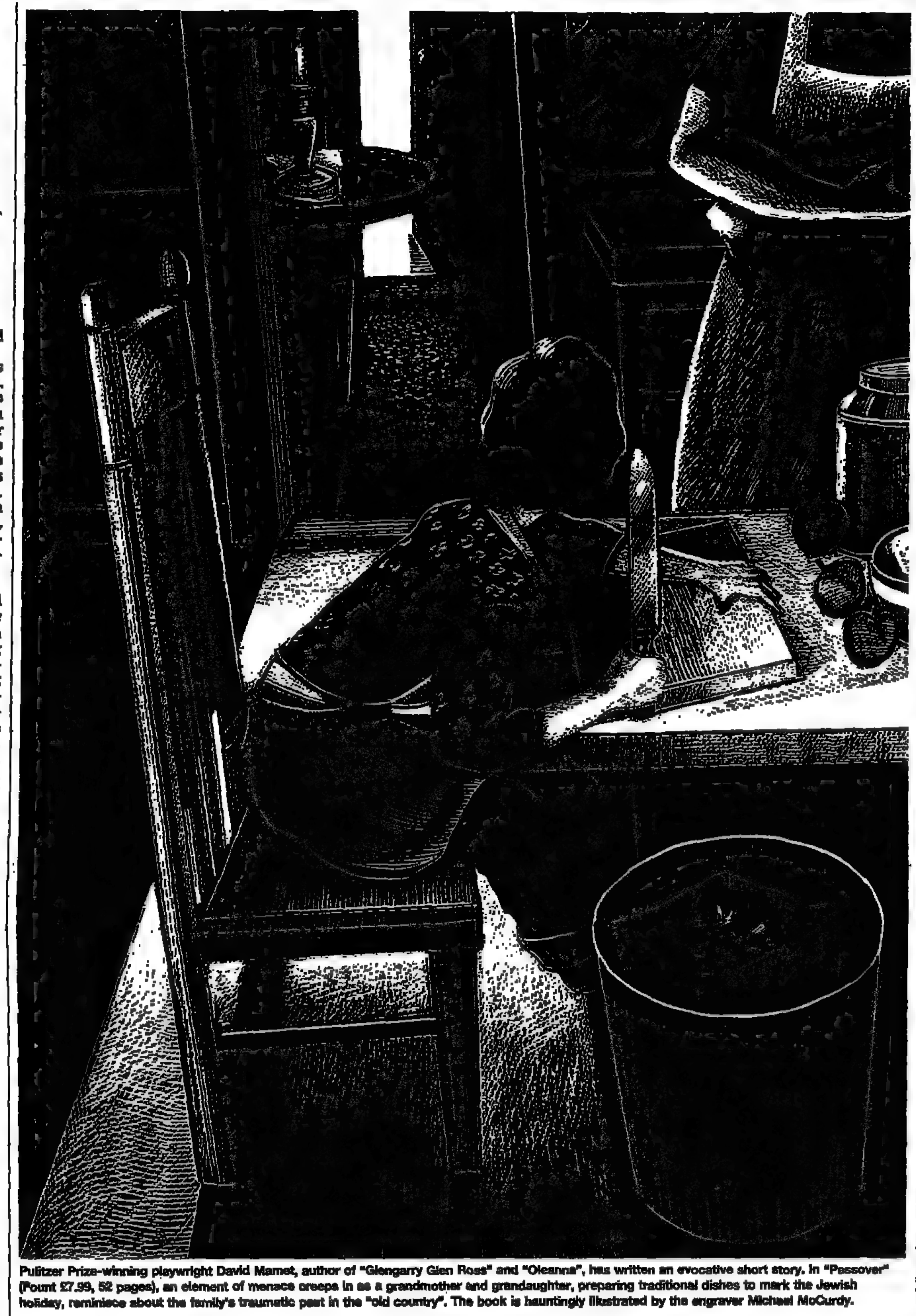
Lincoln deployed two arguments to justify his belief in an indissoluble union. The United States was the free world's "best hope", because of its symbolic status as the world's largest and purest democracy. And once the right of secession had been acknowledged, there would be no stopping its invocation in future inter-state disputes.

Lincoln may have been right. By 1860 many Americans, although probably not a majority, did consider the union to be worth fighting for. A minority of that group believed high ideals of freedom to be at stake. The US has acted as a worldwide beacon for those ideals.

Yet the price in blood and misery was extreme. The south was not proposing to abolish freedom in the north, which anyway had twice the population. Nor, for the future, was there any issue remotely comparable to slavery in its potential to divide the north.

Moreover, size is not all. Liberty requires government by consent. On the world stage, Britain has been at least as bright a democratic beacon as the US over the last century, at a fraction of the size.

For Americans it may not be worth debating these issues. Civil war scars are largely healed, with Lincoln a necessary national myth. But for Europeans engaged in the most ambitious attempt at building a federation by consent since the formation of the US, it is vital to do so. In 70 years time, they will have no excuse for saying that events controlled them.



Pulitzer Prize-winning playwright David Mamet, author of "Glengarry Glen Ross" and "Oleanna", has written an evocative short story. In "Passover" (Fount £7.99, 52 pages), an element of menace creeps in as a grandmother and grandaughter, preparing traditional dishes to mark the Jewish holiday, reminisce about the family's traumatic past in the "old country". The book is hauntingly illustrated by the engraver Michael McCurdy.

Ally of the Third Reich

Austria does not often hit the headlines, and when it does it is generally bad news. There was the business about Waldheim: was he or was he not a war criminal? There was the then defence minister Frischenschlager who shook hands with a war criminal in 1985. Polls keep showing that a substantial number of Austrians continue to believe that Adolf Hitler and the Third Reich were not so bad. And then there is Jorg Haider, leader of the country's far-right Freedom party, who will not ever let us forget that racialism is a powerful force in Austrian politics to this day.

Had it not been for the disproportionate amount of assistance Austrians gave to Hitler and the Third Reich our views of Austria would be benign. The question, however, cannot be avoided. Why were Eichmann, Kaltenbrunner, Globocnik, Amon Goeth and, not forgetting Hitler himself, all Austrians?

Gordon Brook-Shepherd's new book should shed some light on this. He went to Austria as a very young colonel in the General Staff just after the war before embarking on a long and distinguished career in journalism. The book covers 1,000 years of history, but gallops through the first 900 until we reach the present century.

Early 20th-century Viennese politics were dominated by the figures of Karl Lueger and Goerg von Schönerer, both of whom hit on the political value of anti-semitism in the Austro-Hungarian Empire. Whereas Lueger had his pragmatic moments (it was he who said: "I decide who's a Jew"), Schönerer's thinking was to prove particularly interesting to the young Adolf Hitler. He allied his hatred of the Jews to a firm conviction that Austria's destiny lay to the north, in Germany, and not with its multiracial empire.

That empire was wound up by the Treaty of Saint Germain after the first world war. Austria was forced to sit back on its Germanic rump. For many people the only solution was to follow Schönerer's line, and link up with Germany across the Inn. The principle of national self-determination which Woodrow Wilson brought across to Europe in his baggage had been denied to Austrians or Germans.

He contrasts the Catholic Chancellor Dollfuss with Kurt von Schuschnigg. The Nazis had Dollfuss murdered to get him out of the way, while Schuschnigg proved incapable of resisting the *Anschluss* which brought the two states together in 1938, because he could not face the prospect of shedding German blood.

Brook-Shepherd presents the occasionally witless figure of Schuschnigg casting around for a solution. Holding talks with the Habsburg pretender to see if there was a chance of effecting a restoration, and travelling to Berchtesgaden to be bullied by the Führer and getting embroiled in a ludicrous conversation about who was the better Austrian, him or Hitler; Beethoven or Metternich. (The last two had only been long term residents.)

For Brook-Shepherd the German path has always been the wrong one. Possibly he feels that the solution was a restoration. In an ideal world he might be right. The trouble was that so many Austrians saw Adolf Hitler as their saviour and were prepared to go to the ends of the earth for him, as they proved not only in Hitler's war, but also in running Hitler's extermination camps.

THE AUSTRIANS: A THOUSAND-YEAR ODYSSEY
by Gordon Brook-Shepherd
HarperCollins £25, 483 pages

After the war the Austrians got a lucky break. The Germans had their noses rubbed in their own mess, but the Allies decided for political reasons to make Austria Nazism's first victim. "De-Nazification" went off at half cock. What happened was deemed to be Germany's affair, not Austria's. The decision to compensate Austrian victims of National Socialism was only taken last year. To the best of my knowledge the fund has yet to make an award.

The Austrians is a lively, well-informed a study of Austrian history. My only reproach would be that Brook-Shepherd's arguments smack of a certain Austrocentricity – he is susceptible to their undoubted charm and thus forgives a few of their faults.

Giles MacDonogh

Life goes Soldiering on

J.D.F. Jones reviews a new biography of Ford Madox Ford

Ford Madox Ford went through a long period of neglect until in 1972 he was given a famous biography by Arthur Mizener (*The Saddest Story*). Six years ago the novelist-diplomat Alan Judd produced another excellent and admiring "life". We now have volume one of a massive academic treatment by Max Saunders: *A Dual Life*.

Ford – it is beyond dispute – is one of our greatest writers of this century, if only for *The Good Soldier* and *Parade's End*, not to speak of the range of his other 75 or so books. Max Saunders abandons all caution: Ford, he declares here, wrote "some of the best English prose of the 20th century"; he was "one of the most fascinating, complex and entertaining personalities of his age"; he stood "at the centre of the three most innovative groups of writers in this century"; he was "the century's greatest literary editor"; and, for good measure, *The Good Soldier* is "the greatest tragedy of sexuality in English prose".

Well, yes (that last quote seems a bit strong). He was also a lovely man. It is hard to read him, or to read about him, without sympathy. What he needs – and here we have the first half of it – is an analysis of *why* and *how* he merits our respect as well as our affection.

The author defines this as "a critical biography ... written in the belief that a writer's life can only be judged through a critical appreciation of his writings". And elsewhere Saunders explains: "My aims are to wonder at the kind of man Ford is *as a writer*" (my italics). He therefore emphasises the books more than is common in recent literary biographies: for example, he devotes 60 pages to a discussion of *The Good Soldier* in a chapter to which the previous 400 pages have manifestly been the preparation.

Saunders' thesis is that Ford must be considered for the duality of his life and his work, as a private person as well as a public personality – and that this duality pervades, and informs, the books. Hence Ford's "impressionism", which was to be a fundamental influence in the emergence of the Modernist movement. At a cruder level this was also to encourage the common perception of Ford as a teller of lies – "poëtiser un peu", he said of himself, which Saunders prefers to see as "a genius for exaggeration". The fact is that Ford had a very frail connection with *facts*, as was seen in his convoluted domestic life, where even his latest biographer admits to confusion about when and whether, for instance, Ford married Violet Hunt, "the English Colette".

At the level of biography rather than LitCrit, Ford continues to fascinate. He was the cosmopolitan, multi-lingual, half-German grandson of Ford Madox Brown, father of the Pre-Raphaelites. He was brought up in the expectation that he would become a cultural genius and he started publishing before he was 18. In his early married years at Romney Marsh his intimacy with Conrad, Stephen Crane and Henry James was undeniably important to at least two of these writers – the detail of the collaboration with Conrad over books like *Nostromo* and *The Secret Agent* may never be entirely clear: he learned many of his own skills from this friendship. He was founder-editor of *The English Review* and therefore vital to the emergence of Lawrence, Pound and many others. He was always a generous man, without envy. Absurdly, he acquired an image as the simple Tory gentleman: he was not a simple anything.

FORD MADOX FORD: A DUAL LIFE. VOLUME I
by Max Saunders
Oxford £35, 632 pages

His private life was certainly not Tory, and Saunders takes us through it in detail: the elopement with Elsa Martindale, the Edwardian scandal of the affair and bigamous "marriage" with the syphilitic Violet Hunt; the other women – there are more of them to come in volume two. Saunders claims new sources (letters, Olive Garnett's diaries given fresh emphasis, and even unpublished manuscripts). But his focus is on the novels which would emerge out of this difficult, disordered, often unhappy life. Saunders' "discovery" that the love of Ashburnham for Nancy in *The Good Soldier* "verges on incest" is surely too bold. I also feel that Saunders is over-concerned to insist on tracking the precise sources of Ford's fiction to his biographical life: novelists do not need to draw all the detail of their dramas from their own lives, and it does not really help to seek, say, Ashburnham in Ford's great friend Arthur Marwood, though Marwood's role as model for Tietjens in *Parade's End* may be a different matter.

Saunders is at his long-winded best when he describes the peculiar magic of Ford's prose – an impressionism which, he reminds us, Tietjens would call "illuminative exaggerations". Again and again, this is the sort of literary criticism which can be helpful to innocents like you and me who simply enjoy the novels, so I shall look forward to the second volume. But I rather hope that this is the last Ford biography for a few years.

A peripheral tour round the Palace

She prefers dogs to cats, is not wild about tennis and – according to Sarah Bradford – she "does not appreciate intellectuals and writers". Apart from that, the record of Queen Elizabeth II has been close to impeccable. Indeed if Sarah Bradford is classed as a writer/intellectual, one begins to understand the Queen's aversion.

Bradford's biography has received so much adverse advance criticism, some from people who cannot possibly have had time to read the full text, that it was tempting to believe that there must be something to be said for it. Having dutifully ploughed through it, however, there is a lot to be critical about.

Elizabeth, A Biography of Her Majesty the Queen is laboriously long. There is little evidence that it has been much edited. Paragraphs frequently run to almost a page. There is almost no attempt at historical perspective, save to note the changing relationship between the monarchy and the media. The background is largely gossip – not all of which is new – and too often the sources are not identified. Much of the information is drawn heavily from previous books, such as Jonathan Dimbleby's *The Prince of Wales*.

Above all, the Queen herself is scarcely there. This is a book about her entourage, her family and courtiers. Of the woman who must know more about foreign affairs and domestic politics than practically anyone in the country we learn almost nothing. Instead there is tittle-tattle – about the Queen's obsession with dogs and horses and her tendency to pay close attention to details like the shape of the lampshades on the royal yacht.

ELIZABETH: A BIOGRAPHY OF HER MAJESTY THE QUEEN
by Sarah Bradford
Heinemann £20, 564 pages

True, customary deference is paid to the Queen's respect for the Commonwealth and her ability over time to soothe African leaders not always impressed by British policy towards (say) South Africa or the old Rhodesia. All that was known before.

The Queen's wider role in foreign policy goes unnoticed. For example, she quietly helped to groom Juan Carlos for the restoration of the Spanish monarchy. As a constitutional monarch, she was wonderfully placed to do so. The episode is not even mentioned.

If you want an authentic sample of the Bradford style, try this: "Nanny Lightbody decided what Prince Charles was going to eat and how he was going to eat it; even at 18 months his food was still being purêed and his custard put through a sieve." In short, this is soap biography.

Bradford occasionally tries to dress it up as serious comment: "Republicanism has become fashionable again although it is still confined largely to intellectuals, eccentrics and, more dangerously, a few powerful and influential people in the media." I wonder how far this assertion of the rise of republicanism is true. Still, Bradford plainly thinks that she is standing up to it. She concludes: "Elizabeth represents values which most people still recognise even if they don't either practise them or aspire to them themselves – courage, decency and a sense of duty." After 500 pages of gossip, the Queen could do without friends like this.

Malcolm Rutherford

Man's place in the order of things

Mankind is a late and dangerous arrival in the history of the earth, writes A.C. Grayling

Much science is agreeably and clearly presented in the course of this absorbing survey of two histories, one nested within the other: mankind's history, and the history of the planet on which mankind evolved.

Colin Tudge has an excellent thesis to argue as his point of departure: that when you set it in the context of the long aeons of earth's turbulent development, you see that human history is all recent. The ancient Egyptians are a mere blink of an eye away from us in relative time; they are near historical neighbours. As soon as one sees this, one learns an awesome lesson.

The lesson is written in the geology of the earth and its fossil record. For hundreds of millions of years our planet has veered from one extreme of inhospitability to another, in earthquakes, volcanoes, floods, tempests, freezing ice ages, shifting and colliding continents, and crashes into asteroids in space. Fast-forward the film of earth history and the result looks devastating. Earth is a dangerous place; whole life-forms have been wiped from its surface by catastrophes, none of them out of the ordinary for a small planet like this.

From the parochial perspective of human history, in which this tumult of the planet is barely perceptible, the earth seems for the most part friendly. But Tudge is anxious to drive home a familiar lesson from this illuminating new angle. It is that because the system of the earth is so delicate, small local changes have accumulating and ever-mushrooming consequences later. Humans influence the world's weather and ecology; we know that we do so detrimentally. The longer history described by Tudge shows how that imbalance can grow – will grow, unless we take care – and eventually gallop away into multiple disasters.

But humans are not simply frail victims of great impersonal forces of geology, time and storm. Apart from our suicidal tinkering with the balances of our planetary home – all for cash, note – we are also bad news for other species on a more local timescale. Tudge points out that a lion can wander close to a herd of antelope without disturbing them, but a human cannot: they mistrust us too much. In the otherwise orderly rhythms of animal nature humans appear unpredictable, dangerous, ubiquitous, interfering, exploitative, voracious.

THE DAY BEFORE YESTERDAY
by Colin Tudge
Jonathan Cape £18.99, 390 pages

One can never tire of pondering the story of human evolution. "Story" is what most accounts make it, as if we contemporary versions of homo sapiens are its happy ending; but the foregoing remarks should disabuse us of that illusion. Tudge acknowledges that the best way to portray the uncertain and fragmentary science of man's origins is nevertheless as a narrative, because that helps us to make sense of it. In that story, mankind is a very late arrival indeed in earth history: all the more astonishing, then, that our impact upon it is proving so disastrous.

Stephen Jay Gould says that his favourite image of earth's and man's timescales is the following. A yard is the distance from a man's nose to the tip of his middle finger. If earth's history were represented as a yard, a *single* stroke of a nail-file across that fingertip would remove the whole history of humanity. And yet everything that went before was necessary to humankind's arrival on the scene.

Tudge tells the story of this late and complex phenomenon with considerable skill. The two chief virtues of his book are its painstaking clarity and careful organisation. In the account of human evolution, for example, Tudge does not restrict himself to discussion of the palaeo-anthropological data, but describes man's place among other animals and notes comparisons in their evolutionary stories. No germane considerations, ranging from chemistry to agricultural history, are neglected, and all are lightly and readably described.

The book ends on the didactic note sounded frequently throughout concerning the fragility of life's balance on the planet, and the necessity for its remedial care. The next few hundred years, Tudge says, are crucial; not because a new ice age is arriving, or because some gigantic shift of the earth's tectonic plates threatens tidal waves and earthquakes, but because man, spewing huge quantities of pollutants over the planet in his hunger for wealth, is rapidly killing himself and much besides.

That message might be familiar, but it bears endless repetition, and Tudge's new way of stressing it is illuminating. But the main purpose of his book is what most recommends it. He places mankind's history in the context of earth's history, and this perspective, in Tudge's carefully clear arrangement, is rich in interest.

More 'revelations' about Christianity

But the Creed will not be rewritten, argues Don Cupitt

Barbara Thiering's book, the sequel to *Jesus the Man* (1992), is another contribution to a large and long-established literary genre – the sensational new theory about Christian origins that (we are told) is going to rock the foundations of Christianity.

The first modern books in this vein were written by deists like William Tindal and H.S. Reimarus in the 18th century. Nowadays a fresh one appears every year or two. They have become a tradition; and yet paradoxically each volume as it appears must disregard its predecessors and pretend that it comes as a bolt from the blue, unprecedented in every particular.

Each volume causes a brief sensation and is then forgotten. A year or two later much the same mixture of conspiracy theories, naturalistic explanations and sheer invention is relaunched, and received as a novelty. That Jesus did not really die on the cross, that it was all a plot, that he was given drugged wine, taken down from the cross presumed dead, and subsequently revived by his disciples, and that he later played a background role in the development of the early Church, is no surprise by now. How many writers, from Paulus to Schonfield, have told some such story? But we are still expected to be surprised by it, every time.

In Thiering's account Jesus, after his crucifixion, once again travels extensively, and there is due mention of Glastonbury and of the Cup. The almost obligatory liaison with Mary Magdalene here becomes a formal marriage, and dates are given for the birth of Jesus' two sons and a daughter. As may be expected, there is the tantalising hint of a resulting dynasty – often associated today with southern France. And we hear also about Jesus' second marriage, to Lydia.

One recent book sent to me by an excited publisher proposed that Jesus was a woman. The present book is soberer than that, but it does include a curious innovation that literalises the old idea of the Preparation for the Gospel. It claims that among the Jews of the diaspora there was a plan to convert the whole empire and establish the Kingdom of God on earth under the leadership of the Herodians.

But as the Herodian family went to seed and Jerusalem headed for destruction, the Christian movement was able to step in and fill the vacuum left by the disappointment of these earlier hopes. Jesus himself lived to see it, his last appearance, at the age of 76, to John the theologian at Ephesus being followed (probably, we are told) by a move to Rome and his death there.

JESUS OF THE APOCALYPSE: THE LIFE OF JESUS AFTER THE CRUCIFIXION
by Barbara Thiering
Doubleday £16.99, 489 pages

The story that Thiering tells depends largely upon a highly personal decoding of the Book of Revelation, a book that has scrambled many a great brain (including Isaac Newton's) in its time. In Thiering's favour it must be said that the apocalyptic writings in the Bible *do* occasionally hint that they have a concealed esoteric meaning. They invite the kind of attention that they have so often received.

One may nevertheless wonder why a reputable publisher has issued such a book. Part of the answer emerges if one compares it with the most academically respectable book about Jesus on the market, E.P. Sanders' *The Historical Figure of Jesus*, which has recently been reissued by Penguin. It presents a cautious version of the view of Jesus as a purely human and purely Jewish figure and a charismatic prophet of the Kingdom of God, that has been common among biblical scholars throughout the 20th century, which can be traced back to D.F. Strauss in 1835.

Sanders and his readers, and his admiring reviewers all know – they all take it for granted – that the historical Jesus and the divine Christ of later Christian doctrine were different figures. The Christian picture of a co-equally, co-eternally divine Son of God incarnate, virgin-born, working spectacular miracles, claiming to be divine, crucified, risen and ascended is only very, very tenuously connected with the original Jesus. From a very early date, Jesus was eclipsed by a rather alien myth about him.

Everybody knows this, everyone admits it – but nothing can change. The standard cycle of Christological dogmas has to be maintained and believed true, not as a matter of evidence and logic, but for reasons to do with tradition and institutional identity.

The Church does not see itself as having the power, and can probably never muster the will, to review and reformulate its Creed. Perhaps, people say, the view of Jesus as the Godhead veiled in flesh, descended from heaven to woo the human soul, is a historical misunderstanding; but it is a beautiful misunderstanding, and one that is (or so we may claim) theologically or mythically true. And in any case, we are stuck with it and we cannot change it. It remains obligatory.

So in the 20th-century irrationalism became entrenched at the historic centre of our culture, and the most academically respectable theology has no more hope of ever changing anything than the most way-out fringe theology. Can there ever again be a genuinely and strictly rational religious faith? Will theology ever make a difference?

Perhaps not. And if so, then books like Barbara Thiering's have something to tell us about our present condition.

"A beautiful misunderstanding?": a 15th century Austrian altarpiece showing the Trinity with Christ crucified

Communist to capitalist

The ogres in this story are the western economists, writes Peter Marsh

In most western countries, you do not have to go very far to find a shop stocking a Chinese-made product; it is a lot harder to find something produced in Russia. At a mundane level, this gives some idea about the relative success of the two countries in shaking off communism and entering the free market. *China's Rise, Russia's Fall* is an absorbing account of why China is entering the 21st century in a position of strength, and why Russia is in an awful mess.

It is part studied analysis and part a polemic directed at what Peter Nolan sees as the stupidity of western economists and politicians who encouraged Russia in its "Big Bang" attempt at economic transformation.

According to Nolan, an academic at Cambridge University, China has managed the transition from communism to a market-oriented economy far better. China's leaders, he says, had the self-confidence to chart their own evolutionary approach. They largely preserved state institutions at a central and regional level, and fostered entrepreneurship through intelligent government planning. They protected emerging industries through controls over imports and speculative capital flows, while at the same time keeping the door open for foreign direct investment.

Members of Russia's ruling class, on the other hand, allowed themselves to be hoodwinked by a phalanx of mainly US and UK advisers urging a "shock therapy" based around destroying existing economic and political power-bases in the hope that unbridled *laisser faire* capitalism would create something better.

The result, Nolan says, has been a "deep tragedy" as Russia has charged into the free market with very few social or political mechanisms to attune the transformation process or protect citizens from pain. "The path that was adopted was one that produced the worst of all possible worlds... Instantaneous price liberalisation and wild, high-speed privatisation occured without an effective framework of law and order, or government administrative strength... The result was a process of brutal and massively unequal primitive capitalist accumulation."

This section of Nolan's book is controversial. It is unlikely to win applause from the International Monetary Fund or economists such as Jeffrey Sachs, whose advice the Russians largely followed. But this is far more than a scholarly rant. Backed up by economic evidence from such disparate events as the Meiji transformation in 19th-century Japan, Britain's dissolution of the monasteries and the American civil war, Nolan sweeps convincingly through the lessons of history to set out his central thesis: that the transition for Russia was badly handled.

Of course, China had some things in its favour. It started its reform process, aimed at dismantling "dead hand" planning controls and unleashing private industry, in the late 1970s, nearly a decade before Russia. China had lived through the earlier, disastrous experience of Mao's "great leap forward" effort at economic revolution which, according to Nolan, ingrained in the Chinese leadership the maxim that it is better to change by small-scale, piecemeal reforms.

CHINA'S RISE, RUSSIA'S FALL
by Peter Nolan
Macmillan £45, 360 pages

Crucially, China had been largely left out of the "cold war" ideological battles of the 1970s and 1980s, which mainly concerned the two superpowers. Once the US won the economic and intellectual arguments – much more convincingly than most would have predicted only a decade earlier – China suffered only minimal psychological bruising. On the other hand the US's victory left those in the Soviet intellectual elite registering near revulsion at their own political and economic system, leaving them to offer little resistance to the most full-blooded prescriptions of the west's advisers.

In other ways, however, Nolan insists that the Chinese started out with no special cultural, financial or organisational advantage over the Russians when it came to starting a market-oriented economy. Both the former USSR and China "possessed huge catch-up possibilities". Indeed, the scientific and industrial skills of the Russian population made the country potentially better able than China to adapt.

While Nolan is not wholly uncritical of China – he has some barbed comments about human rights abuses and woeful treatment of women – his most withering comments are reserved for the overseas advisers and the power they exerted over their Moscow clients.

"They came with high incomes, lap-top computers, expensive clothes and the accumulated experience of having 'solved' the problems of large numbers of other 'ailing economies'".

He offers, too, a general *broadside* for large segments of the western economics profession which he says felt able to leap "into grand simplistic generalisations" about the correct policy prescriptions for Russia. That these involved "areas about which they often had painfully limited knowledge, and for which their training had served them ill" was ignored.

Nolan's overriding message is that decisions over the paths of entire nations and the well-being of millions of people are too important to be left to economists.

Fiction

Sums which don't add up

In the 1980s, D.J. Taylor tells us in this slick but rather aimless squint into that derided decade, money took over. His protagonist Scott Marshall, a smug young American shark in management consultant's clothing, is one of the many money-men, old and new, who rode the tide of Thatcherite yuppie triumphalism in England for 10 years... until the money ran out.

Taylor believes that Scott and his kind deserve moral chastisement and opts for the secular novelist's symbolic retribution: Scott, the scapegoat for his peers, finds himself rebuked and attacked by every aspect of his life. His girlfriends, his family, his environment, his food and even his job turn against him. You may recognise this concept: Martin Amis did the same thing in *Money*, and many have done it since.

Unlike *Money*, *English Settlement* is not just about the demise of one man embodying morally bankrupt times.

This book's main problem is that it does not really know what it is about. Taylor writes with knowing nonchalance of the City's arcane financial hierarchies and practices, with snappy wit about an American's view of cute little England, and with sensitivity on the tentative reunion of Scott with his dying, long-estranged father. Horror also raises its head when Scott's mysterious girlfriend tries to lobotomise him with a claw-hammer in revenge for his mistreatment of women.

These plotlines are individually satisfying but never add up, and seem tangential to the main story.

Scott is sent to sort out the finances of no-hope football team Walham Town and quickly finds himself out of his depth. He also finds himself sidelined in narrative terms, thanks to the sudden dominance of Walham's owner, Barry Mower.

A real Amisian caricature of a *nouveau riche* wide-boy with a porn empire and dodgy connections, Barry engineers Scott's eventual downfall and monopolises Taylor's attention,

ENGLISH SETTLEMENT
by D.J. Taylor
Chatto & Windus £15.99, 293 pages

to the detriment of the novel.

English Settlement is frequently engaging but never compelling. Taylor's writing is fluid and well-crafted, his assumption of an American voice only occasionally flawed (the comparison of big City men with quarterbacks becomes an irritating tic). Still, you sense him ploughing his attention into individual scenarios and losing the bigger picture, running away with Barry Mower and forgetting why he was writing about Scott.

As *English Settlement* tails off with a whimper rather than a crash or a Big Bang, you look back on it, as so many busted yuppies must have looked back on the 1980s, with one thought. Was that it?

Nick Curtis

Surviving the family

Archives du Nord, first published in French in 1977 and now translated by *Maria Louise Ascher* as *How Many Years*, is the second volume of the diptych family memoir by Marguerite Yourcenar which began with *Souvenirs pieux* (published in French in 1974, in English as *Dear Departed* in 1992).

The memoir concludes with *Quoi? l'éternité*, which still remains unpublished in an English translation. The overall title of the three-volume memoir is *Le labyrinthe du monde*, which echoes the phrase of the environmentalist John Muir: "When we try to pick out anything by itself, we find it hitched to everything else in the universe."

Yourcenar placed herself, in *Dear Departed*, on the pivot of a balance, turning then to one side to examine her mother (who died giving birth to Marguerite Yourcenar in 1903) and her maternal Belgian family. In *How Many Years*, she turns her gaze to consider her French and Flemish father, her paternal grandfather and grandmother.

The form of *Dear Departed* evoked first the married life of a Belle Epoque couple, Yourcenar's mother and father, then proceeded down the maze of time to explore her mother's (and her own) forebears to pre-Roman times.

In *How Many Years*, she states her intention "to reverse the itinerary: to depart at the outset from remote, uncharted regions and arrive at last... at 19th-century Lille, at the proper but somewhat disjointed household of a wealthy bourgeois gentleman and his solid bourgeois wife, living under the Second Empire; and finally at that eternally unconventional man who was my father, and at a little girl learning about life, between 1903 and 1912, on a hillside in French Flanders."

It is a period piece of masterly literary authority and familial affection by one of the greatest writers of the 20th century. Yourcenar's historical sensitivity allows her to keep it in period by compassionately evoking not only the character of her father, Michel de Crayencour, but clearly and sympathetically, through her father's reminiscences, her grandfather, Michel-Charles.

HOW MANY YEARS: A MEMOIR
by Marguerite Yourcenar
Aiden Aellis £20, 382 pages

Yourcenar was born into a society which looked down upon the mass of humanity from virtually a godlike perspective of prosperity and privilege: her maternal and paternal families stemmed from high aristocracy, derived their status and money from land, and took the usual casual pleasures permissible by reason of their social licence.

But there were duties and obligations attendant upon social position: arranged dynastic marriages, cultural short-sightedness, conventional political and social restrictions resulting in an *ennui* that was familiar throughout the European upper classes in the years leading to the first world war. *Carpe diem*.

Yourcenar accepts as fact, as background noise, the Belle Epoque in its entirety. What she also sees is the natural world and her paternal family's relation to it. There was death, mutilation, danger in that life, *but pas grave, pas* [illegible].

Like the victims of shell-shock, during and after the carnage of the war, the waters of unconsciousness closed over their heads. They dreamed or waked. Yourcenar, coddled in her childhood and social privilege, "will learn, not without effort, to make use of her own eyes, and then, like a diver, to keep them wide open". She will live her "personal life, insofar as this term has a meaning, as best she can in the midst of all this". Yourcenar, separated from "all this" by genius, by dissidence, by exile, at last returned to integrate the inalienable.

Iain Finlayson

American divas take to Janáček

Against all odds 'The Makropolous Case' has wowed audiences in New York and Chicago, reports **Andrew Clark**

If anyone had claimed 10 years ago that *The Makropoulos Case* could simultaneously fill the two biggest US opera theatres, they would have been *told to* get their head examined. But lo and behold, Janáček's musical *mystery* story has just finished a sell-out run at the Lyric Opera in Chicago, *and* has wowed subscribers at the Metropolitan Opera in New York. Those who predicted commercial disaster have had to eat humble pie. *Makropoulos* was suddenly a hit.

In each production, an American diva was tackling the pivotal role of Emilia Marty for the first time – the supremely versatile Catherine Malfitano in Chicago, the regal Jessye Norman at the Met. Like several other distinguished sopranos not previously associated with Janáček, Malfitano and Norman saw in *Makropoulos* one of the great challenges of the operatic stage: to impersonate a 337-year old, *to breathe* warmth into human coldness, to offer a performance on which *the whole production stands* or falls.

But if strong casting and marketing were all that was necessary to widen the repertoire in the US, Janáček would already be a popular *composer*. The fact that his brand of compressed story-telling, elliptical expressiveness and musical humanism has finally struck a chord indicates the growing sophistication of the American opera public. US audiences have discovered what their counterparts in the UK and Germany found a generation ago: Janáček's appeal is universal.

Although both productions were flawed, each offered an original interpretation of the central role – an opera singer who is both beneficiary and victim of her father's life-prolonging potion. Malfitano, singing in Czech, played Marty as a Lulu-like *femme fatale*, tough, sexy and manipulative. She developed the character convincingly, establishing herself as an object of male obsession before ending up as a superannuated bitch. She may have missed the tyrannical side of Marty, but she always engaged our *sympathy*.

In New York, it was a case of The Jessye Norman Show. Here was *the* diva playing herself – difficult, demanding, barely mobile, but bristling with comic instinct and self-parody. Where Malfitano had survived on a typically adroit piece of vocal legerdemain, Norman's majestic singing enveloped the theatre. This was not the terse, rhapsodic Janáček we are used to, an impression heightened by the colloquial English translation (in which Norman had a hand). But she is far better championing *Makropoulos* than trying to act Sieglinde.

These contrasts were echoed in the *musical and visual* surroundings. *If* Bruno Bartoletti's poetic conducting in Chicago brought out Puccinian associations in the score, the New York *production sounded like a* hybrid of Barber and Martinu, thanks *to the Met orchestra's technicolour* sonority and David Robertson's penchant for pounding rhythm. Neither was idiomatic – Janáček's melodies demand less sentiment and more rhythmic subtlety – but both performances had been well rehearsed.

The chief merit of David Alden's Chicago staging was the way it cut through the opera's garrulousness. Marty's exchanges with Gregor (Kim Begley in magnificent form) developed into a rousing anti-love duet, while her Act 2 reunion with Ragnar Ulfung's randy old Hauk was the very picture of romantic nostalgia. Best of all was the opening of Act 3, where Malfitano's sexual charisma and Tom Fox's *hunk-like* Prus generated a potent post-coital smell.

Much of this good work *was dissipated* by the production's clichéd imagery. Charles Edwards's steeply-raked, semi-abstract set was fronted by a clock-face, the hands of which were removed at curtain-up by a silent teenager – the innocent young Elina Makropoulos. A bank of cinema seats populated by identical male admirers was the unlikely backstage setting for Act 2, and the heroine made a Tosca-like death-leap from a *stone* parapet. *Brigitte Reiffenstuel's* 1930s costumes were equally crass: *Marty* was introduced in trilby, trouser suit and dark glasses, more Al *Capone than La Stupenda*.

New York encountered the opposite problem: a *production* with bags of visual style, but sterile from within. Anthony Ward's 1940s *decor*, dominated by a blow-up of Norman's face and a frame of legal hieroglyphics, established a mood of *film noir*. A towering vault of filing cabinets in Act 1 gave way to a sphinx-like throne, from which Norman held court like an African potentate. She finally expired in a parody of Wagnerian immolation. Dona Granata's opulent costumes included a suit of cobwebs for Hauk, a vivid metaphor for a character frozen in the web of time.

But the story itself unfolded in a dramatic vacuum. What exactly did Elijah Moshinsky – tackling his second Met production this season – do with all that rehearsal time? Perhaps *he was intimidated by Norman*. Perhaps she vetoed his ideas. Perhaps he *had no ideas. That was how it looked.* Experienced singer-actors like Graham Clark and Hakan Hagegard – neither of whom sounded comfortable – were frozen on the sidelines.

This was not the first Janáček opera at the Met, nor the first *Makropoulos* in New York. But it has done wonders for Janáček's transatlantic reputation. It initially made headlines for all the wrong reasons, when the tenor singing Vitek, Richard Versalle, suffered a heart attack and died on stage minutes after the start of the first night. What the production subsequently demonstrated was that, with a prima donna of proven box-office appeal, *Makropoulos* has the power to fascinate and amuse the world's most *conservative audience*.

While Chicago and New York *feasted on Janáček*, the Washington Opera was picking over the fate of his compatriot and near-contemporary, Hans Krása. Best known for his children's opera *Brundibar*, Krása was a German-speaking Jew who died at Auschwitz. Washington gave the US premiere of his first opera, *Betrothal in a Dream*, a social satire based on a short novel by Dostoyevsky.

First performed in Prague in 1933 under the baton of George Szell, *Betrothal* was banned by the Nazis and all but forgotten. A few years ago, the Israeli conductor Israel Yinon discovered the score in Vienna. He conducted it in Prague in 1994, and brought the same production to the *Kennedy Center's* Eisenhower Theater. When I reviewed it in Prague, I was *unimpressed* by *what seemed* like a good story draped in unmemorable clothes. Other *critical reaction* was overwhelmingly positive, so the Washington performance offered a chance to test my initial responses.

It was certainly better played than in Prague, and the cast was a distinct improvement: Peter Parsch made a suitably dopey Prince and it was an unexpected pleasure to come across the veteran British bass-baritone, John Shirley-Quirk, in the tiny role of the Archivist. Karel Drgác's staging continues to serve the work well.

But Betrothal left me as unimpressed as ever. The music is a potpourri of period *styles* which never establishes a personality of its own. If *Krása had lived, he would surely have* used the lessons learned in the com*position of Betrothal* as the *spring*board for a more original work.

Tough, sexy and manipulative: Tom Fox with Catherine Malfitano as a femme fatale Lulu-like Emilia Marty in the Chicago production

Theatre/**Alastair Macaulay**

A tabloid mentality

Perhaps Stanley Spencer was as selfish and unoriginal as Pam Gems makes him in her new play, *Stanley*. I leave these matters to those who have made proper biographical study of him. But the play - though it bears his name, gives him an awful lot of stuff to say, and made me want to wring his neck more than once - is not really about him.

Stanley bears resemblance to a good old woman's movie from the Hollywood of the 1930s and 40s. Spencer leaves his first wife *for* his second, and then regrets it. Wife One is Good and *Loyal but Wronged* and Anguished. Wife Two is a Conniving *Minx, a Lying Bitch*, a Snob and an Unloving Lesbian who can give him neither sex nor sympathy. The bit that old Hollywood could not have forgiven *is her refusal* to give him Love of any kind - and that is Gems's view too.

The lesbianism is Gems's modern touch, but she handles it as stupidly as she does heterosexuality. Wife Two, Patricia, is Beautiful but Bad to her Ugly but Good girlfriend. (Hollywood seldom treated The Other Woman *this* obviously.)

Spencer, because he is a Man, spends most of the play wanting to have his cake and eat it. But, because he is a Man, he only finds perfect bliss when he is wholly separated from Patricia and when Wife One, Hilda, is dead. He blames her for dying, of course - it was her fault, never *his* - but he always loved her and, now that she is dead, he loves her most of all. He is also very happy now with God, and he *unabashedly tells* the late Hilda, as he paints, that the artist *mediates between* the world and God.

The self-importance and misogyny that well up in this long last blathering speech are pretty shocking, but Gems coats them in cosy sentimentality. Spencer is Sir Stanley now, blissfully unspoiled by his great success, loved by the little children of the village and cultivated by the local old toffs. And - get this ickiest stroke of sentimentality - the late Hilda appears, unseen by him but smiling on his work, his Muse, even though his selfishness was a major contributing factor in her death.

Spencer in love talks like the more horticultural flights of a D.H. Lawrence hero. "Oh I wish I could smell you," he says to the dead Hilda, "...your body smelling of cobnuts." Actually, when she was alive, he said, "You smell *just* the same - beechnut and broomflower." ("Dear *Gardeners' Question Time*...")

Mainly, however, *Stanley* exhibits a tabloid mentality, *staying on* the social and gossip pages. "So I asked *Frankie Bacon*..." "Augustus!" "Gwen!" Both Augustus and Stanley fart – so refreshing – and nobody says anything about art more interesting that that Englishness is good, the avant-garde is pretentious and God approves of Spencer.

The role of the Bad Wife is so superficial it made me miss badly the vastly superior performance Joan Crawford gave in *The Women* in a not dissimilar but vastly better role. Anna Chancellor, playing it rather more obviously than it deserves, gives a performance that will delight those who admired her obvious performance in *Four Weddings and a Funeral* (another piece of misogyny).

Antony Sher does valiant work in the wretched title role. *He plays the* slow rural unsophisticated animal selfishness with *considerable tact*. Deborah Findlay, though she retains *at first her bad habit* of letting half her syllables slide down a couple of *tones*, gives a powerful *performance* as Hilda. John Caird directs and Tim Hatley designs. The Cottesloe Theatre has Spencerian murals-in-progress (in his most Giottoish vein) on three sides and puts some of the audience in English church pews. Because Spencer liked Bach, the play is accompanied by chunks from Bach's Greatest Hits. Trying to identify each chunk is as good a way to pass the time as any.

In National Theatre repertory at the Cottesloe Theatre, South Bank, SE1

Anna Chancellor as the Bad Wife and Antony Sher as Stanley Spencer in Pam Gems's new play

Television/**Christopher Dunkley**

Bad boys made good

Books are wonderful things; they have provided many most enjoyable hours. Offered the choice of print or television for the rest of my life I would opt for print without hesitation. A book can transport you to the heart of *Africa*, the depths of outer space, the inside of someone else's *head*, or a previous century, more quickly, easily and *much more cheaply than a* television programme. Yet *there are things that television* can do which books cannot. *Tomorrow's Timewatch* on BBC2, "Bad Boys", illustrates the point admirably.

Producer Catrine Clay has taken a 1973 edition of the BBC current affairs series *Man Alive* describing life at Peper Harow, a rehabilitation centre for delinquent boys, and set out to discover, 23 years later, what has become of six of the youths who were featured. Of course the idea is not new. In 1963 Granada Television interviewed a group of seven-year-old children *for a programme* they called *Seven Up*, return*ing for further programmes* when they were 14, 21, 28 and 35. *We shall be due to meet* them again when they reach 42 in 1998 and, happily, Granada, unique survivors in the ITV system, are still here to organise it.

"Bad Boys" provides many of the same eye-opening effects as *Seven Up*. As the programme cuts from a picture of Melvyn Ross, a member of the Peper Harow staff in 1973, to a picture of him today you feel your own life sliding down the telescope of time. The man who *tells us today about the beliefs* which inspired a more liberal *and understanding regime* than had been the rule in the old approved schools, looks completely normal. He wears an open-necked white shirt and spectacles with narrow metal frames and has an unremarkable haircut. In 1973 he had hair below his shoulders and a vast woolly beard, as did other members of staff. They wore thick, black rectangular glasses like those worn by Michael Caine in his early movies. And the shock is in realising that *that* was completely normal – 23 years ago. It is an effect which no book can ever quite achieve.

Of course this programme has a more specific object than *Seven Up*. Dr Nora Murrow, who worked as a psychiatrist at Peper Harow from 1970 to 1980, says: "If you have a group of adolescents who come and have a second chance at being parented in a therapeutic community and that's successful, then they should be able to parent well in their turn. Then the cycle's broken and they are raising a generation who will *be perfectly* capable of parenting in turn". It is a declaration of belief in the efficacy of positive social action which sounds peculiarly *old fashioned today*, after decades of Thatcherism and the insistence that "There is no such thing as society".

But the former offend*ers tracked down by* Clay look like a triumphant *justification* of the experiment. Though *they ended up in Peper Harow* because other corrective institutions found them impossible, today they mostly sound impressively articulate and confident. No book can convey that quite so vividly, nor show the look in a man's eye. They have qualifications up to and including university degrees, jobs in nursing, welding, and teaching, with one running a carpet cleaning company. Of *the six, it seems that two did* re-offend, one (not found by *the programme) last being* heard of emerging from prison *in 1991. Given the rate of recid*ivism among normal offenders this seems remarkable for a bunch of extreme hardcases.

What the programme cannot tell us is whether these six men are typical of those who went through Peper Harow. And what it does not attempt is to estimate the cost-effectiveness of keeping them there compared with keeping people in the old approved schools or under subsequent regimes, whether "short sharp shock", *boot camp or any other*. What it does show with a peculiar *clarity is that those going* through corrective schools are as much individuals as anybody else, and therefore not subject to any inexorable rules concerning failure and recidivism. This programme is another example of television's huge success as a conveyor of modern history.

My assertion in last week's Saturday column that the BBC's religious affairs department is run by Anglicans (the time had come, I said, for a spot of disestablishmentarianism) was wrong. There are Presbyterians, Roman Catholics, agnostics and even atheists in the department. True, the head of the department has always been a Christian, but since Ernest Rea, the present head, is an Irish Presbyterian he can hardly be identified with the established church. Mea culpa.

Records/**Richard Fairman**

Headily atmospheric hokum

If luck had been on their side, the Royal Opera would now be presenting Massenet's splendidly over-the-top *Hérodiade*. Instead, the production was cancelled in favour of a revival of *Samson et Dalila*, ostensibly because the sets from the Vienna State Opera did not fit.

Whatever the reason, it is a pity. In the past couple of years *Hérodiade* has suddenly come back into favour with opera-houses as far apart as San Francisco and Vienna, most probably because Placido Domingo has taken a liking to the lead tenor role. Massenet wrote five splendid roles for big, glorious voices in *Hérodiade and the only surprise* is that singers have not tried to press the opera *upon receptive* managements before.

There *has never previously* been a complete studio recording of the opera. Bizarrely we now have two, recorded almost simultaneously, one live in San Francisco, the other in a recording studio in Toulouse. What they confirm, for anybody who has not been lucky enough to see *Hérodiade* on stage, is that the opera is a lot of hokum with a ridiculous plot – but it is the most gloriously colourful, impassioned, headily atmospheric hokum *that* even the opera-house could be expected to produce.

Of the two recordings that have now arrived, the EMI is *the one* to have. Even though it was recorded in the studio, *the performance* feels more theatrical than its live rival. *Conductor* Michel Plasson throws himself into Massenet's most *overtly sensuous* music with abandon. The opera can be described as a cross between Verdi's *Aida* and Strauss's *Salome*: it has the grand scale of the former, combined with the latter's basic story, although Massenet had no time for such luxuries as motives in the plot or consistency in the characterisation.

Overall, the EMI cast is the *clear* winner. Cheryl Studer, who has already made a suc*cess of Strauss's* Salome on disc, here exhibits a fine sense of French *style as Massenet's* barely less erotic Salomé. Her duets with *Ben Heppner's* broadly-phrased, heroic Jean (John the Baptist) rank *among* the set's highlights. The character of *drooling, incestuous* old Hérode really demands singing *less self-consciously* beautiful than Thomas Hampson's, but it would be hard not to capitulate to his proudly handsome baritone. José Van Dam does marvels as the sorcerer Phanuel and *Nadine* Denize holds her own as Hérodiade, who strangely has little to do in the opera that bears her name.

Sony's live recording is primarily for those who want to have every note Domingo has committed to disc. The Spanish tenor is in excellent voice as ever and the Mediterranean ardour in his singing suits the *heated emotions of the music* well. Dolora Zajick also puts in *a fearsomely melodramatic* performance as Hérodiade. *Otherwise, this set is less dis*tinguished. Renée Fleming is *disadvantaged by the placing* of the microphones and Juan *Pons makes a dull dog of Hér*ode. Valery Gergiev is a calmer and in some ways more stylish conductor than Plasson, but it is difficult to forgive him for cutting so many fine pages of the score.

Gergiev, who seems to be everywhere at the moment, is heard to finer effect on his new recording of Prokofiev's black magic opera *The Fiery Angel*. This is a veritable cauldron of hellfire for the performers, but Gergiev's team keep their cool in a performance that manages to capture both the notes (with some precision) and the spirit of the work. This is a particularly effective opera to hear on disc, as so much of the action is in the mind. Prokofiev uses the ambivalence of music merely to suggest the demons that are said to possess his heroine and the listener's imagination can make them come to *life or not, as one pleases*.

This set is one of the series *that Philips has been making* at the Kirov Opera in St. Petersburg, *which will be* recommendation enough for *lovers of Russian opera*. Gergiev has trained the Kirov orchestra to a high standard of subtlety, not just the high-octane showmanship that other Russian orchestras traditionally exhibit. His company of singers comprises most of Russia's finest voices today, including not only Sergey Leiferkus who sings Ruprecht here, but also the soprano Galina Gorchakova, who sets about the fiendish difficulties of the soprano role with a remarkable combination of vocal control and emotional abandon.

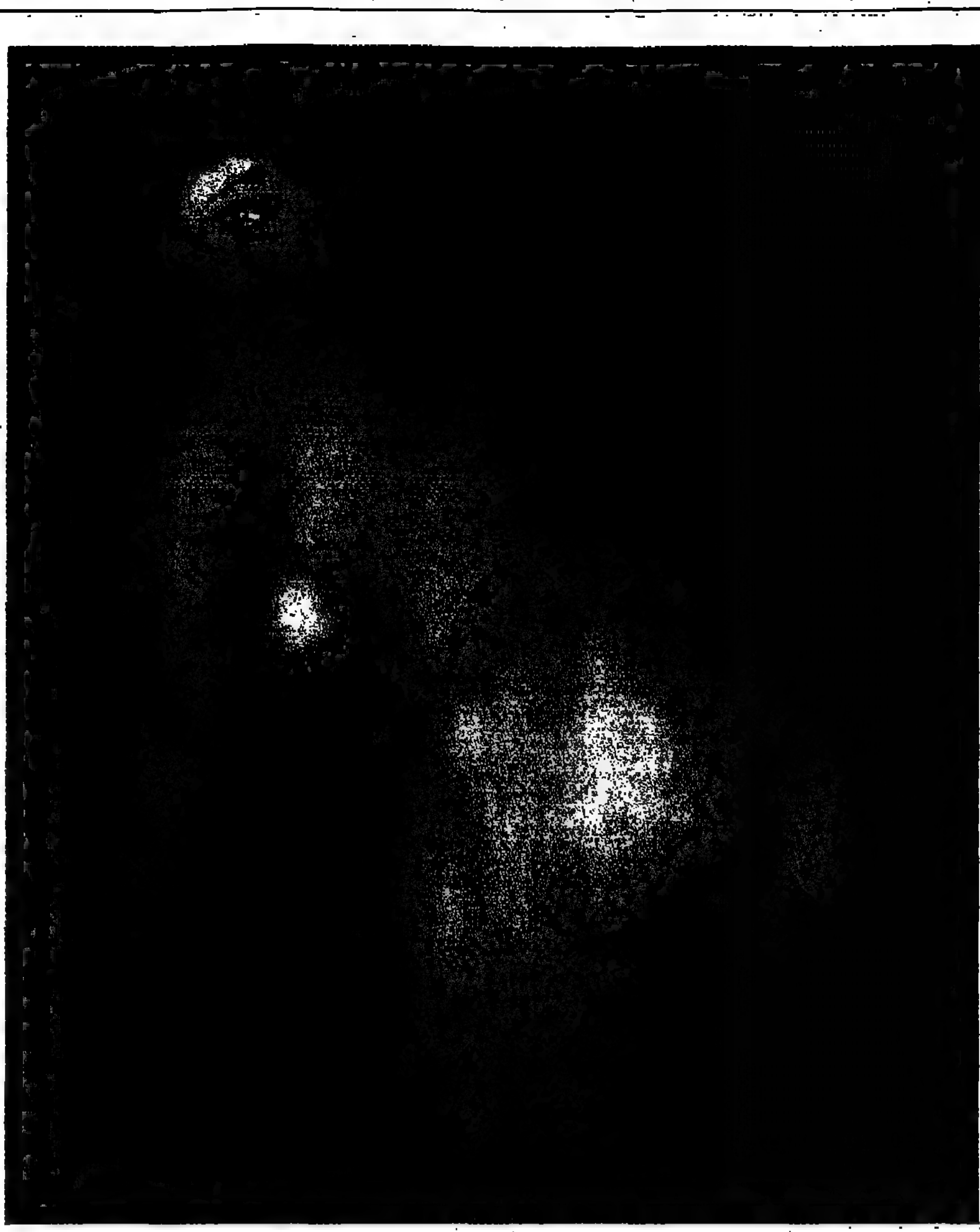
A great Russian soprano voice like this brings to mind her predecessor, Galina Vishnevskaya. EMI have recently re-issued a boxed set of the recordings she made in the 1970s after she and her husband, Mstislav Rostropovich, were exiled from the Soviet Union. Some people complain of squally singing and wild tuning. I hear an artist of unchallenged authority, who has the ability to turn each song into a hypnotic world of its own, whether it is by Tchaikovsky, Prokofiev or Shost*akovich, all included here. Her* recordings of arias by Rimsky-*Korsakov*, with the *London* Philharmonic conducted by her *husband, go round and round* in the memory – a kind of *black magic all her own*.

Massenet: *Hérodiade*. Toulouse Capitole Chorus and Orchestra/Plasson. EMI CDS5 55378-2 (3 discs)
Massenet: *Hérodiade*. Chorus and Orchestra of the San Francisco Opera/Gergiev. Sony S2K 66847 (2 discs)
Prokofiev: *The Fiery Angel*. Chorus and Orchestra of the Kirov Opera/Gergiev. Philips 446 078-2 (2 discs)
Russian songs and arias. Vishnevskaya. EMI CMS5 65716-2 (3 discs)

ARTS

A study in naked nostalgia

William Packer reviews the work of American artist John Currin



Arch self-consciousness: 'Nude', 1994, but John Currin

John Currin is a young American painter, now in his early thirties and just emerging on the international circuit. His subject is the human figure, male and female, clothed and naked, and a sample of his work of the past six years or so is now at the ICA.

First come one or two portraits of young women, taken from high-school year-books, heads and shoulders, no hands. Though by no means worked up to photographic effect they bear every sign of that photographic reference, bland in texture and empty of incidental detail.

Next come images of older women, slipping into anonymity and an idealised presence, though some actual portraits persist. The figures extend to three-quarter length, and a degree of physical exaggeration, at times amounting to caricature, creeps in. There follows a group of paintings of women in bed, disembodied heads isolated above the counterpane. Then comes a group of nudes, prefigured by an earlier single female backside, grotesquely simplified and formalised, stretched and flattened. The nudes themselves are derived from pin-ups, though the sense is rather of 1950s coyness than of explicit latterday titillation. One near-quotation after Goya's "Naked Maja" lifts the tone a little.

Finally come the more openly symbolic images and compositions, men and women together and apart, redolent of 1960s illustration. These inventions are largely upon the theme of the old man and the bimbo, with the dated girlie references augmented by grizzled old men with Uncle Sam beards and sad eyes. A golden-haired girl picks flowers in the grass. A golden-haired family romps together on the hillside.

It sounds all right, but there is both more and less to it than that. The mood is one of Rockwellian nostalgia, but moderated defensively by an arch self-consciousness. Take it or leave it: heads the artist wins, tails we lose. But Norman Rockwell at least could draw, and with a deep knowledge founded upon long and direct observation of the reality he was drawing. For all his bourgeois sentimentality, which after all he was employed to celebrate, he was one of the great illustrators of his age.

Currin, on the other hand, even as a jobbing illustrator, would scarcely pass muster on the cheapest magazine. As a painter, he is irredeemably third-rate, if that. From first to last the drawing is weak, flaccid where it is not inept, with never a glimmer of that sense of intuitive discovery and response that comes with working directly from the figure. There is no life in the working of the paint, no joy on the surface. The imagery is banal. "Ah", we seem to hear him say, "but it is meant to be banal, as banal as the printed reference and popular sentiment on which it is based."

But there is no reason why Currin's work should not be exactly that, and still be beautifully and freshly painted, with wit and love. But while photographs and illustration may be quite legitimate as aid and stimulus to the painter, they can equally well be the last refuge of the incompetent. And when incompetence builds only on the second-hand information and experience that photograph or illustration affords, the technical inadequacy is inescapable.

The hard truth is that Currin cannot paint very well. It follows that the only critical interest the work affords must lie with the nature and quality of its imagery. Keith Seward, his catalogue apologist, tells us that "the evolution of his entire oeuvre might best be characterised … as increasing in both muteness and a certain sort of stupidity. If the series of young girls and older women bordered on a sort of ironic conceptual art, Currin's work is increasingly eschewing irony in favor of sincerity, increasingly forsaking concepts in favor of desires."

But allow Currin himself the last word. Seward asks him if he has a style. "Can a style you're conscious of really be your style? I don't think I have a genuine style, which troubles me a lot … I think more of how easy master-works are to do, how it's simple to make a painting look a certain way. Once you know how to do it, master paintings are as easy to do as … paintings I do in like one day. I have another show coming up … I'll start panicking, I'll get angry … I'll get all worried about what people think … then I'll think … I'll do what I want to do."

John Currin – paintings 1989-1995; Institute of Contemporary Arts, London SW1, until February 18; arranged in collaboration with FRAC Limousin, Limoges.

A provocative poet

Peter Forbes remembers Nobel Prize winner Joseph Brodsky

Joseph Brodsky was the most gifted Russian poet to follow the 20th century's great four: Akhmatova, Mandelstam, Pasternak, and Tsvetaeva.

What made him more than the representative Russian poet of his generation was his love of English poetry, at first the metaphysicals and later the 1930s generation of Auden, Spender and MacNeice. Auden's lines from "In Memory of W. B. Yeats", discovered by Brodsky when he was imprisoned, became his lifelong touchstone: "Time … Worships language and forgives/Everyone by whom it lives".

Born in 1940, the son of a Jewish naval officer, Brodsky's talent was spotted early, by Akhmatova in particular, but he fell foul of the Soviet regime. Relatively uneducated formally, he refused to work other than as a poet and was not recognised by the Writers' Union. To the State his stance was a calculated affront and he was arrested. During his trial the judge asked him "Who gave you the authority to call yourself a poet?" Brodsky answered, "No one. Who gave me the authority to enter the human race?"

He was sent to a labour camp for two years and exile to the US followed in 1972. He came to idealise the intellectual milieu of the west and its poets became more than distant exemplars for him. Auden was instrumental in establishing him in America, where he eventually re-invented himself as a Russo-American poet; Spender helped him in London.

Brodsky repaid the debts with two magnificent essays on Auden and a moving tribute to Spender when he died last summer. For Brodsky, Auden was "the greatest mind of the 20th century", and Spender the repository of all civility.

Brodsky's experience of communism shaped his views considerably: he had a reckless love of everything the regime hated, extolled the virtues of the 19th century over the 20th, and was hostile to most modernism ("the usual modern art palaver, the voice of insecurity", he said of early Henry Moore).

He called himself a maximalist, by which he meant: "you must always be going for a greater thought". In practice, this inevitably meant that he occasionally toppled over into grandiosity. Auden in his foreword to the *Penguin Selected Poems* (1973), said: "He has an extraordinary capacity to envision material objects as sacramental signs" and this remained the great glory of his poetry. In "Lullaby of Cape Cod" (from *A Part of Speech*), his most consistently successful long poem in translation, even a Coca Cola sign glows "like the fiery warning at Belshazzar's Feast".

Despite the brilliant cast of translators assembled for *A Part of Speech*, increasingly he preferred to translate his work himself. He had idiosyncratic views on the subject and his love affair with the English language was not always reciprocated. An inventive way with rhymes in Russian combined with a love of American slang to create some very syncopated effects: "… Twice have drowned, thrice let knives rake my nitty-gritty/… Those who forgot me would make a city."

He came to London regularly and used to stay with the pianist Alfred Brendel in Hampstead. He loved the company of great artists and intellectuals – Isaiah Berlin was another good friend. He took an interest in the work of young English poets and perhaps was hoping to find Auden's true heir among them.

Brodsky had already undergone heart surgery when I first met him in London ten years ago. He knew the risks: he would pretend to entrust you with his cigarettes and then surreptitiously cadge them back. His humour was sometimes whimsical, sometimes mordant, and he could be needling and provocative in company.

When his essays, *Less than One*, were published in 1986 Brodsky's status moved from cult figure to world writer. The essays are magisterial and the personal ones, about his abandoned family and beloved St Petersburg, are extremely moving. He won the Nobel Prize in 1987 and further honours followed. He was US Poet Laureate in 1991 and produced a startling laureate address in which he called for poetry to be printed in millions of copies and distributed in supermarkets. Maximalism again. A new book of essays was scheduled before his death this week and there have been many poems to collect since his last poetry book, *To Urania* (1988).

The vivid presence of Brodsky's poems lives on – sacramental signs themselves. The maximalist also loved deflation. "There would be an opera house from which a slightly overripe/tenor would duly descant Mario's arias, keep-/ing the tyrant amused. He'd applaud from his loge, but/I from the back rows would hiss though clenched teeth, 'you creep'".

His legacy is this wholly original fusion of high and low style. It was born partly of bitter circumstance and partly from an innate sensibility that could see the boundaries in detail but always wanted to soar away on the trail of that maximum thought.

Joseph Brodsky. Born Leningrad May 24, 1940. Died New York January 28, 1996.

Theatre/**David Murray**

Twentysomething in North London

Nick Grosso's new play at the Royal Court's Theatre Upstairs, where his *Peaches* got a warm reception last year, hit me close to home. Too close, really, for me to guess how it might strike someone for whom North London is as unfamiliar, say, as we are with South London (the jungle). Being the father of several gregarious, virtually classless, semi-delinquent North Londoners at the end of their 'teens, I can vouch for the cruel authenticity of the chat; but how foreign ears will find it, when *Sweetheart* tours the east of England – exotic? horridly amusing? crudely offensive, or just thick? – I can hardly imagine.

Grosso's young persons are a bit older than mine: roughly mid-20s. They are nearly all managing, more or less – the ones who have got into the "meeja" are doing particularly well; but our titular hero is Charlie, who does nothing at all but camp in one girl-friend's flat after another, moving on only when she throws him out. (Grosso's sole lapse in realism is that nobody ever mentions the DSS; that at least, but perhaps also the fact that Charlie is seen only to drink a little, where in real life he would be spending most of his time stoned.)

Charlie's talk is earnest and inarticulate: he greets unexpected information with cries of S**t!, and people he dislikes or fears are all c***s. He trades upon being a "sweetheart", though he would never put it to himself in that way. Late in the play – which is just 90 minutes long, with no interval – it pains him to learn from Kelly, his new upmarket catch, that when Lee called him that, he meant that he was a prat (Charlie had just wrecked Lee's expensive kite).

In fact the trouble with Charlie is not that he is any kind of dissident or rebel-against-the-system, nor even an old-fashioned cad, but (to borrow an Ayckbourn epithet) just "terribly, terribly, terribly dim". He gets by, with the advantage of living in a newly classless, live-and-let-live world; if his philosophical chat-up lines tend to run off the rails, his comfortably sexy body-language compensates. Joe Duttine's blunt, disarming performance captures him to perfection, though Grosso's relentless exposure of his dimness seems to betray some vengeful resentment of all our Charlies.

Kate Beckinsale and Joe Duttine in Nick Grosso's new play 'Sweetheart' Alastair Muir

More interesting, I think, is Grosso's beady-eyed survey of North London's current twentysomethings, with a classless *camaraderie* that dates from their comprehensive schools (*much* more important than public-school pashes), but is stretched thin now as they begin to find their grown-up ways along different and unequal tracks. There is of course neither an identifiable "problem" there nor any "solution"; but North Londoners at least will recognise this little comedy's undercurrent of guilty worry and embarrassment, even pain.

Beside Duttine's Charlie, five other actors complete the cast faultlessly: Nicola Walker (the upmarket catch), Diane Parish and Kate Beckinsale as old and recent flames, Darren Tighe and Rick Warden as several boring men. Roxana Silbert has directed them all with tact, swiftness and a sensitive ear.

At the Theatre Upstairs, Royal Court, London SW1 (0171-730 2554).

Radio/**Martin Hoyle**

The dirty business of water

In a couple of weeks apparently dominated by wilful redheads called Sarah, the befuddled media-watcher could be pardoned for superimposing various news stories and believing the Duchess of York had bolted to Turkey on the characteristically sanguine assumption that a waiter's tips provide an adequate lifestyle. Mind you, after sampling the opinions of the good burghers of Braintree in last Sunday's *World This Weekend*, I fully sympathise with runaway Essex schoolgirl Sarah in her preference for the Levant.

More recently, news programmes have been unable to escape the sardonic note of "I told you so" delight as the utilities flounder through a record number of complaints (gas) or blandly explain that there may be cuts if it gets cold in winter (electricity) or proceed to give British householders a more unpredictable water supply than Morocco.

Most jolting of all was Thursday's *File on 4* which introduced the British public (since it appears to be nobody else's responsibility) to those foreign companies that are buying up our utilities; in this case it focused on the Southern Company of Atlanta, the heirs to SWEB and in control of electricity from Bristol to Penzance.

The American company's relish was compared, by one expert, with "a safecracker going to a nation where they don't have a police force" – and where they leave the combination of the safe lying on a table. In case their west-country customers (and the British government) had not heard, their pollution record gives them a place on the US list of dirtiest companies (1995); a criminal investigation of one of their subsidiaries is said to have revealed two sets of books and false expenses; and another subsidiary has allegedly been involved in a political bribery racket.

When a vice-president of this company was summoned to head office in Atlanta he let it be known that he could testify, before the federal authorities if necessary, to much more skulduggery, touching the highest levels. He never reached Atlanta, killed as his plane mysteriously crashed, reported to have been explained as suicide by some in the company who overlooked the elaborate preparations needed to stage a crash that would also kill the two pilots.

Given the alleged corruption of the company at the time, independent investigators maintain that top level involvement was inevitable. An executive assured us that they have turned over a new corporate leaf – which one hopes includes improving terrifyingly slovenly safety procedures.

Meanwhile what of our own regulator? This is one Professor Littlechild, aptly named for his innocence one might think. Interviewed by Radio 4 he refused to say whether he had known about Southern's record but added that it did not debar this "large and successful company in the United States" from taking over a British concern. He sounded as authoritative, convincing and in control as Neville Chamberlain returing from Berchtesgaden; and inspires just as much confidence. This was first-rate investigative reporting that made one's blood boil and prompted several questions, most of them addressed to this side of the Atlantic.

Nigel Planer's reading of his wonderful luvvy-spoof *I, an Actor* was irresistibly recalled by *God, the Self and I*, the modest gathering that gave its name to the first in a series in *Seeds of Faith* in which the actress Jane Lapotaire, just like your average actress, talks to people who have influenced her religious thinking. Thespiennes in search of the deity (who, if he has any sense, can hear them coming and takes precautions accordingly) have a curiously Beachcomber-ish ring to them.

Next week the buskined one accosts an academic egghead. It would be quicker and funnier to have put Barbara Windsor into television's *Brains Trust*; and, I suspect, no less enlightening.

Concert/**Antony Bye**

The Borodin's secret science

The late Hans Keller whose book *The Great Haydn Quartets* contains much pertinent philosophising as well as sound practical advice, admitted only a small number of works (by Haydn, Mozart, Beethoven, Schubert, Mendelssohn, Smetana, Dvořák, Hindemith and Schoenberg) to his exclusive pantheon of string quartets worthy of the description "great and intrinsic". Only these masterworks, he argued, fully realised the potential of a medium whose inner workings were a "secret science" to which only composers familiar with the repertoire as quartet players themselves could be privy.

With the exception of Schubert's *Quartettsatz* the venerable Borodin Quartet, unbelievably half-a-century old last year, chose to programme nothing from the Keller canon at its Wigmore Hall recitals on Thursday and Saturday, a decision which can be understood not so much as an affront to Keller's high standards of quality control but in recognition that the Russian (and French for that matter) string quartet tradition has a unique richness and validity of its own, running in parallel to the Austro-German lineage which Keller held so precious.

What would Keller, I wonder, have made of Borodin's ambitious First String Quartet, somewhat overshadowed in popularity by his orientalist Second? The trio section of its scherzo is one of the most remarkable passages in the entire 19th-century quartet literature, a bizarre, unprovoked study in eerie violin and cello harmonics worthy of Russia's supreme 20th-century colourist Stravinsky. Keller could find no place for such "sound effects" in his quartet arcadia nor for those quasi-orchestral textures upon which the Russian quartet tradition depends and whose excesses threaten to smother it.

Borodin's first movement, for instance, depends not so much on the edgy development of pithy motives as on the relaxed repetition of whole melodies in new instrumental colours. In less practised hands the results can seem unsophisticated and protracted, but the Borodin Quartet's intensity and urbanity propels this lovable music onwards with no sense of unseemly haste.

That they are polished masters of this kind of writing was confirmed by their renditions of Schumann's German but non-canonic Op.41 No.3 quartet and Tchaikovsky's Second Quartet, whose first movement is of similarly ample proportions and even more texturally sumptuous. As befits players of such vintage their present reading of the Tchaikovsky is more spacious than their recording of 20 years ago, but their tone is if anything even more generous and their authority unquestionable.

The Borodin sound, emphasising blend into a whole rather than the balance of equal voices, is less suited to the sinewy counterpoint of Prokofiev's First Quartet and the sharply etched character writing of Janáček's First. But there was no denying the impressive sense of architecture they brought to the long slow finale of the Prokofiev and the passionate conviction with which they found method in Janáček's mad changes of direction were evidence of at least empathy with, if not full understanding of, Keller's "secret science".

INTERNATIONAL ARTS GUIDE

What's on in the principal cities

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Koninklijk Concertgebouworkest: *with conductor Riccardo Chailly* perform Schoenberg's Variations, *Op.31 and Bruckner's Symphony No.5*; 8.15pm; Feb 7, 8
● Sabine Meyer and *Christian* Zacharias: the clarinettist and pianist perform works by Brahms and R. Schumann; 8.15pm; Feb 6

DANCE
Het Muziektheater Tel: 31-20-5518117
● Cinderella: a choreography by Frederick Ashton *to music by* Prokofiev, performed by Het Nationale Ballet; 8pm; Feb 9, 11 (2pm), 12, 13, 15, 16, 17

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● Een Nieuwe Kunst. Fotografie in de 19de eeuw: exhibition of *19th-century photographs by artists* such as Fox Talbot, Le Gray, Fenton, Cameron, Asser and Henneman. The works on display were recently added to the museum's collection; from Feb 10 to May 5

■ ANTWERP

THEATRE
Bourlaschouwburg Tel: 32-3-2310750
● The Cherry Orchard: by Chekhov (in Dutch). Directed by Karst Woudstra. The cast includes Kristin Arras, Ronnie Commissaris, Anneleen Cooreman and Herbert Flack; 8pm, Fri also 1.30pm; from Feb 10 to Mar 9

■ BALTIMORE

CONCERT
Joseph Meyerhoff Symphony Hall Tel: 1-410-783-8000
● Baltimore Symphony Orchestra: with conductor David Zinman andpianist Richard Goode in an all-Mozart programme. The programme includes the overture to La Clemenza di Tito, Piano Concerto No.27 and Symphony No.41 (Jupiter); 8.15pm; Feb 9, 10, 11 (3pm)

■ BARCELONA

CONCERT
Palau de la Música Catalana Tel: 34-3-2681000
● Norwegian Chamber Orchestra: with conductor Iona Brown and viola-player Lars Anders Tomter perform works by Haydn, Britten, Grieg and Mozart; 10pm; Feb 10

■ BERGEN

CONCERT
Grieghallen Tel: 47-55-216150
● Bergen Filharmoniske Orkester: with conductor Janos Fürst and *pianist Jon Kimura Parker perform* Tchaikovsky's Piano ConcertoNo.1 and Nielsen's Symphony No.1; 7.30pm; Feb 8

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203092100/01
● Andreas Schmidt: accompanied by *pianist Rudolf Jansen*. The baritone performs songs by R. Strauss and Zemlinsky; 8pm; Feb 9
● Borodin Quartet: perform Beethoven's String Quartet in F, Op.59 No.1 and Shostakovich's String Quartet No.7 and String Quartet No.8; *7.30pm; Feb 5*
Philharmonie & Kammermusiksaal Tel: 49-30-254880
● Berliner Philharmonisches Orchester: with conductor Pierre Boulez and the Rundfunkchor Berlin perform works by Stravinsky, Webern and Berg; 8pm; Feb 8, 9, 10 (7pm)

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Die Zauberflöte: by Mozart. Conducted by Stefan Soltesz and performed by the Deutsche Oper Berlin. Soloists include Amanda Halgrimson, Gerd Feldhoff, *Carol* Malone and Lucy Peacock; 7pm; Feb 4, 5 (7.30pm), 9
Komische Oper Tel: 49-30-202600
● *Don Giovanni*: by Mozart. Conducted by Yakov Kreizberg and performed by the Komische Oper; 7pm; Feb 5, 6

■ BORDEAUX

OPERA
Grand Théâtre de Bordeaux Tel: 33-56-10 16 93
● Così fan tutte: by Mozart. Conducted by Dorian Wilson and performed by the Orchestre National Bordeaux Aquitaine. Soloists include Mireille Delunsch, Béatrice Uria-Monzon, Maryse Castets, *Yann* Beuron, Ludovic Tézier and Marcos Fink; 2.30pm; Feb 4, 6 *(8pm)*

■ BRUSSELS

CONCERT
Théâtre Royal de la Monnaie Tel: 32-2-2291200
● Sylvia McNair: accompanied by *pianist Roger Vignoles. The soprano* performs songs by Haydn, Schubert, Messiaen, *Poulenc* and Bizet; 8pm; Feb 10

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Bella Davidovich: the pianist performs works by R. Schumann, Brahms and Chopin; 8pm; Feb 5
● Jerusalem Symphony Orchestra: with conductor David Shallon and viola-player Tabea Zimmermann perform works by Leef, Hindemith and Berlioz; 8pm; Feb 8
● Sylvia McNair: accompanied by pianist Roger Vignoles. The soprano performs songs by Haydn, Schubert, Messiaen, Poulenc and Bizet; 8pm; Feb 7

Benger Riban poster by Hans Atelier Neuman, for auction by Christie's, London

■ COPENHAGEN

EXHIBITION
Nationalmuseet – The National Museum Tel: 45-33 13 44 11
● Asger Jorn and 10,000 years of Nordic Folk Art: Nordic art from the early hunting period, through the Bronze, Iron and Viking Ages are *seen through the eyes of the Danish Cobra painter Asger Jorn (1914-1973). The exhibition is based* on Jorn's extensive writings and on over 20,000 photos taken by the French photographer Franceschi at Jorn's request; to Feb 7

OPERA
Det Kongelige Teater Tel: 45-33 14 10 02
● *Ariadne auf Naxos*: by R. Strauss. Conducted by Hans E. Zimmer and performed by the Royal Danish Opera. Soloists include Mechtild Gessendorf, Peter Lindroos and Gitta-Maria Sjöberg; 8pm; Feb 7, 14

■ DETROIT

CONCERT
Detroit Orchestra Hall Tel: 1-313-833-3362
● Detroit Symphony Orchestra: with conductor Erich Kunzel in a programme saluting Leonard Bernstein and Stephen Sondheim and their hits from *West Side Story*, Candide, A Little Night Music, A *Funny Thing Happened On The Way* To The Forum and other stage productions. Soloists include soprano Virginia Croskery, tenor Donn Coock and bass Lewis Dale van Schlancusch; 8.30pm; Feb 8 (8pm), 9, 10, 11 (3pm)

■ DRESDEN

OPERA
Sächsische Staatsoper Dresden Tel: 49-351-49110
● Les Contes dHoffmann: by Offenbach. Conducted by Siegfried Kurz and performed by the Sächsische Staatsoper Dresden. Soloists include Roxana Incontrera, *Annette* Jahns and Karl-Heinz Stryczek; 7pm; Feb 8, 17

■ DUBLIN

CONCERT
National Concert Hall – Geolárse Náisiúnta Tel: 353-1-8711533
● National Symphony Orchestra: with conductor Kasper de Roo and violinist Christopher Poppen perform Mozart's Violin Concerto No.3 and Bruckner's Symphony No.7; 8pm; Feb 9

■ FLORENCE

CONCERT
Teatro Comunale Tel: 39-55-211158
● Alfredo Kraus: accompanied by *pianist Edelmiro Arnaltes*. The tenor performs songs by Scarlatti, Gluck, Massenet, R. Strauss, Tosti, Ruiz de Luna, Turina and Obradors; 9pm; Feb 6

FRANKFURT AM MAIN

CONCERT
Alte Oper Tel: 49-69-1340400
● Ensemble Modern: with conductor Zoltán Kocsis perform works by Kurtág, Bartók and Eötvös, and the world premiere of a new work by Kocsis; 8pm; Feb 9

■ GENEVA

CONCERT
Victoria Hall Tel: 41-22-3283573
● Symphony No.8: by Bruckner. Performed by *the Orchestre de la* Suisse Romande, conducted by *Günther* Herbig; 8.30pm; Feb 9

■ GHENT

DANCE
De Vlaamse Opera Tel: 32-9-2230681
● Kinok: the choreographies Rosa, Kinok and Grosse Fuge by Anne-Teresa de Keersmaeker combined in a programme performed by Rosas. The music by Bartók, De Mey and Beethoven is performed by the Ictus Ensemble; 8pm; Feb 7, 8, 9

■ HAMBURG

CONCERT
Musikhalle Hamburg Tel: 49-40-346920
● NDR-Sinfonieorchester: with conductor Vladimir Fedoseyev, the NDR-Chor and violinist Maxim Vengerov perform Shostakovich's Violin Concerto No.1 and works by Mendelssohn and Borodin; 8pm; Feb 8

OPERA
Hamburgische Staatsoper Tel: 49-40-351721
● Der fliegende Holländer: by Wagner. Conducted by Gary Bertini and performed by the Hamburg Oper. Soloists include Franz Grundheber, Gabriela Benackova, Heinz Kruse and Kurt Moll; 7.30pm; Feb 5, 8, 11 (7pm), 16
● Tannhäuser: by Wagner. Conducted by Gerd Albrecht and performed by the Hamburg Oper. Soloists include Harald Stamm, Günter Neumann, Andreas Schmidt and Peter Galliard; 6pm; Feb 4

■ HELSINKI

DANCE
Opera House Tel: 358-0-403021
● Stravinsky Ballets: the Finnish National Ballet perform three choreographies to music by Stravinsky: Les Noces by Jerome Robbins, *Petrushka* by Jorma Uotinen and Le Sacre du Printemps by Vaslav *Nijinsky*; 7pm; Feb 6, 9, 14

■ HOUSTON

EXHIBITION
Museum of Fine Arts Tel: 1-713-639-7300
● *John Singleton Copley in America*: exhibition featuring 50 portraits from Copley's career in 18th-century colonial America. The display is enhanced by a complementary selection of American and English decorative arts that provide a visual context for the paintings; from Feb 4 to Apr 28
● *John Singleton Copley in England*: this exhibition focuses on Copley's career after he left America in 1774, never to return. Among the nearly 25 works on display is The Death of Major Peirson; from Feb 4 to Apr 28

■ LEIPZIG

CONCERT
Gewandhaus zu Leipzig Tel: 49-341-12700
● András Schiff: the pianist performs works by Bartók and Haydn; 8pm; Feb 10

DANCE
Oper Leipzig Tel: 49-341-1261261
● Swan Lake: a choreography by Uwe Scholz to music by Tchaikovsky, performed by the Ballett Leipzig. Soloists include Joan Boex and Lara Radda; 7.30pm; Feb 9

■ LONDON

AUCTION
Christie's South Kensington Tel: 44-171-5817611
● 19th and 20th Century Posters: a collection of more than 30 Olympic posters is the highlight of this sale. Included are a poster promoting the 1952 Olympic Games in Helsinki, originally designed for the 1940 Helsinki games which were cancelled because of the war, and a poster by Jean Droit promoting the 1924 Olympics in Paris. The sale also includes 30 lots of shipping posters from 1910 to 1930; 10.30am & 2pm; Feb 8
● Costume and Textiles: highlight of the sale is Elsa Bonsack's wardrobe of Balenciaga day suits with matching hats. Also included are an Yves Saint Laurent suit of gold lamé and a lady's black smoking suit, labelled Yves Saint Laurent Rive Gauche; 2pm; Feb 6

CONCERT
Barbican Hall Tel: 44-171-6388891
● Royal Philharmonic Orchestra: with *conductor Paul Wynne Griffiths* and pianist Jack Gibbons, perform Dukas' L'Apprenti Sorcier, Sibelius' Finlandia, Grieg's Peer Gynt Suite No.1, Gershwin's Rhapsody in Blue, Tchaikovsky's Swan Lake Suite, Elgar's Pomp and Circumstance March No.1 and Ravel's Bolero; 8pm; Feb 10
St John's, Smith Square Tel: 44-171-2221061
● *Choir and Orchestra of St John's*, Smith Square: with conductor John Lubbock and cellist Robert Cohen perform Stephen Montague's Varshavian Spring, R. Schumann's Cello Concerto in A minor and Beethoven's Symphony No.5; 7.30pm; Feb 9
Wigmore Hall Tel: 44-171-9352141
● Jamie MacDougall: accompanied by pianist Roger Vignoles. The tenor performs songs by R. Schumann, Schubert and Mendelssohn; 7.30pm; Feb 6

DANCE
Royal Opera House – Covent Garden Tel: 44-171-3044000
● *The Royal Ballet: perform the* choreographies Rhapsody by Frederick Ashton to music by Rachmaninov and The Invitation by Kenneth MacMillan to music by Seiber, and new works by Ashley Page and Matthew Hart to music by Liszt and Britten; 7.30pm; Feb 7, 9, 17

EXHIBITION
Tate Gallery Tel: 44-171-8878000
● Cézanne: retrospective exhibition offering an opportunity to assess the work of this 19th-century French painter. The display includes more than 90 paintings and some 60 watercolours and drawings borrowed *from public and private collections* throughout the world; from Feb 8 to Apr 28

■ LYON

CONCERT
Auditorium Tel: 33-78 95 95 95
● Orchestre National de Lyon: with *conductor Emmanuel Krivine* and violinist Vadim Repin perform Haydn's Symphony No.85, Brahms' Variations on a Theme by Haydn, Wieniawski's Violin Concerto No.2 and Varèse's Amériques; 8.30pm; Feb 9

■ MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● Orquesta Nacional de España: with conductor Antoni Ros Marbà and pianist Lazar Berman perform works by Beethoven and R. Strauss; 7.30pm; Feb 9, 10, 11 (11.30am)

■ MILAN

CONCERT
Teatro alla Scala di Milano Tel: 39-2-72003744
● Maurizio Pollini: the pianist performs sonatas by Beethoven; 8pm; Feb 5

■ MUNICH

CONCERT
Philharmonie im Gasteig Tel: 49-89-48098506
● Menuhin Festival Orchestra: with conductor Yehudi Menuhin perform Mozart's Divertimento KV 334 and Beethoven's Symphony No.5; 8pm; Feb 9

EXHIBITION
Haus der Kunst Tel: 49-89-211270
● Frank Stella. Die Retrospektive: retrospective exhibition devoted to this American artist, in the early stages of his work one of the leading practitioners of Minimal Art. The display includes works from 1958 up until the 1990s; from Feb 10 to Apr 21

OPERA
Nationaltheater Tel: 49-89-21851920
● Tannhäuser: by Wagner. Conducted by Christian Thielemann and performed by the Bayerische *Staatsoper*. Soloists include Jan-Hendrik Rootering, René Kollo, Wolfgang Brendel, Nadine Secunde and Marilyn Schmiege; 6pm; Feb 4, 8

■ NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● New York Philharmonic: with conductor Charles Dutoit and harpist Sarah Bullen perform works by Albéniz, Rodrigo, Falla and Turina; 8pm; Feb 8, 9, 10, 13 (7.30pm)
● Symphony No.10: by Mahler. *Performed by the Juilliard Orchestra* with conductor James DePreist; 8pm; Feb 5
Carnegie Hall Tel: 1-212-247-7800
● Radu Lupu: the pianist performs R. Schumann's Arabesque, Op.18 and Davidsbündlertänze, Op.6, and Schubert's Sonata in A minor; 8pm; Feb 9

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● *Poussin*: Works on Paper, Drawings from the Collection of Her *Majesty Queen Elizabeth II*: the Royal Collection at Windsor holds one of the largest groups of drawings by the 17th-century French artist Nicolas *Poussin* (1594-1665). These drawings were originally mounted in two albums that were assembled during the artist's lifetime by his patrons Cardinal Camillo Massimi and Cassiano dal Pozzo. A group of 65 works, many double-sided, comprising almost all the autograph drawings in the collection, has been selected for this exhibition; from Feb 8 to Mar 31

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● *Così fan tutte*: by Mozart. Conducted by James Levine and performed by the Metropolitan Opera. Soloists include Carol Vaness, Cecilia *Bartoli and Jerry Hadley; 8pm; Feb 8*, 13 (7.30pm), 17
● *Otello*: by Verdi. Conducted by James Levine and performed by the Metropolitan Opera. Soloists include Aprile Millo, Plácido Domingo and James Morris; 8pm; Feb 6, 10 (1.30pm)

■ OSLO

CONCERT
Oslo Konserthus Tel: 47-22-834510
● *Oslo Filharmoniske Orkester*: with conductor Matthias Bamert, violinist *Trond Saeverud*, cellist Truls Mork and pianist Leif Ove Andsnes perform the overture to Mozart's Don Giovanni, Prokofiev's Romeo and Juliet, and the world premiere of Hvoslef's Triple Concerto for violin, cello and piano; 7.30pm; Feb 8, 9

EXHIBITION
Nasjonalgalleriet Tel: 47-22-200404
● Francisco Goya. Paintings, Drawings, Prints: exhibition devoted to the Spanish painter and graphic artist Francisco Goya (1746-1828). *The majority of the exhibits comes* from the collections of the Prado Museum in Madrid and the Metropolitan Museum in New York. Highlights include the paintings The Parasol and Self-portrait (1815). The exhibition includes 30 paintings, 52 drawings and 91 prints; from Feb 10 to Apr 14

■ PARIS

CONCERT
Cité de la Musique Tel: 33-1 44 84 45 00
● Orchestre de l'Opéra de Lyon: *with conductor Kent Nagano perform* Takemitsu's Family Tree and Berlioz's *Symphonie fantastique; 8pm; Feb 10*, 11 (4.30pm)
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre de Paris: with conductor Kurt Sanderling and violinist Viktoria Mullova perform J.C. Bach's Symphony in D minor, Op.3 No.1, Stravinsky's Violin Concerto and Mozart's Symphony No.41; 8.30pm; Feb 8, 9
Théâtre de la Ville Tel: 33-1 42 74 22 77
● Christian Zacharias: the pianist performs works by Debussy and J.S. Bach; 6pm; Feb 9
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Augustin Dumay and Maria-João *Pires: perform Beethoven's sonatas* for violin and piano Nos.1 and 8; 11am; Feb 4
● Orchestre des Champs-Elysées: with conductor Philippe Herreweghe perform the overture to Mozart's Cosi fan Tutte and his Symphony No.38, and Beethoven's Symphony No.8; 8.30pm; Feb 9

EXHIBITION
Musée Picasso Tel: 33-1 42 71 70 84
● Les carnets de dessins de Picasso: exhibition of 58 sketch-books by Picasso from the museum's collection; from Feb 7 to May 6

OPERA
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● Idomeneo: by Mozart. Conducted by Marc Minkowski and performed by the Opéra National de Paris. Soloists include Anthony Rolfe Johnson, Delores Ziegler, Dawn Upshaw and Carolyn James; 7.30pm; Feb 5, 8, 11 (3pm), 14, 17

■ ROME

DANCE **Teatro dell Opera di Roma** Tel: 39-6-481601
● Onegin: a choreography by John Cranko to music by Tchaikovsky, performed by the Balletto di Roma. Soloists include Carla Fracci, Yseult Lendvai, John Harrington and Mario Marozzi; 7.30pm; Feb 4, 8 (8.30pm)

■ SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall Tel: 1-415-864-6000
● San Francisco Symphony: with conductor/violinist Vladimir Spivakov and soprano Olga Makarina perform two arias with violin obbligato by Mozart, his Violin Concerto No.2 and Exsultate jubilate, and Tchaikovsky's Serenade in C major for Strings; 8pm; Feb 8, 9, 10

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Ensemble Modern: with conductor/ *pianist Zoltán Kocsis perform works* by Debussy, Schoenberg, Bartók, Kurtág, Kocsis and R. Strauss; 7.30pm; Feb 8
Musikverein Tel: 43-1-5058681
● Heinrich Schiff: the cellist performs cello suites by J.S. Bach; 7.30pm; Feb 6

■ ZURICH

ART & ANTIQUE FAIR
MEDIAG – Messe Zürich Tel: 41-1-3622300
● 37th Swiss Art and Antiques Fair – KAM 96 *International: 86 exhibitors* from Switzerland, Germany, Austria, the UK, the Netherlands, France and the US show highlights of their fine arts and antiques collection, including paintings, prints, books, folk art, furniture, gold and silver work, jewellery, porcelain, faience and glass. In conjunction with the fair the special exhibition Platinum Treasures in the Course of Time will be held, showing classic and contemporary platinum-mounted jewels and platinum watches by Audemars Piguet, Blancpain, Cartier, Chopard, Winston and Constantin; from Feb 6 to Feb 11

CHESS

Hoogovens at Wijk aan Zee is one of the great tournaments, played annually since the 1930s.

Its special tradition is pea soup at the prizegiving, a memory of the hungry 1944 winter when the players asked for a good meal rather than trophies.

The top seeds Ivanchuk and Anand were first and second at Wijk 1996 this week, with Michael Adams joint fourth among the elite.

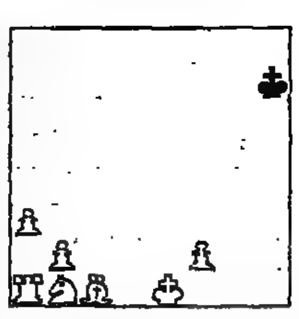
The rising star was a 20-year-old Bulgarian, already in the world top 10, whose play is full of attacking energy (V Topalov, White; V Anand, Black; Sicilian).

1 e4 c5 2 Nf3 d6 3 d4 cxd4 4 Nxd4 Nf6 5 Nc3 a6 6 Bc4 Bobby Fischer's favourite, revived by Short against Kasparov. a6 7 Bb3 Nbd7 b5 8 f4 Bb7 is more flexible. 9 f4 Nc5 9 e5 dxe5 10 fxe5 Nfd7 11 Bf4 b5 12 Qe2 Bb7 13 0-0-0 Qb6 14 Kb1 Be7 15 h4 To discourage 0-0 and ensure that Black has no really safe king haven.

0-0-0 16 a3 Nb8? Black should exchange the Fischer bishop at b3. 17 Be3 Nc6 18 Ba2 Nxd4 19 Bxd4 Qc6 20 Rhf1 Rhf8 21 g3 Kb8 22 Rf4! Stops Ne4 and gives the WR scope on the fourth rank.

f5? Under pressure, Anand opens up the game fatally; better to wait by Rd7. 23 exf6 ep gxf6 24 b4! e5 25 bxc5 Rxd4 26 Rfxd4 exd4 27 Qxe7 Re8 28 Qf7 Resigns. If dxc3 29 Bd5 and the Fischer bishop (see move 16) wins.

No 1113



The most interesting chess problems look and are basically easy, but can trigger off a visual block.

In this helpmate (by J. Gemmell, 1995) Black moves first, then both sides co-operate until White checkmates on his fourth turn.

Expert readers of *The Problemist* found it quite hard.

Solutions, Page II.

Leonard Barden

BRIDGE

Trumps are pearls of great price and must be looked after. Treat them with the consideration they deserve and they will be loyal workers – neglect them and they may stage a strike.

Here is a very fine example from rubber bridge:

N
♠ A J 10
♥ A 8
♦ J 6 2
♣ A K Q 5 3

W	E
♠ 7	♠ K 8 4 3
♥ J 9 7 6 5 3	♥ 10 4
♦ A 9 5 3	♦ K Q 7 4
♣ J 7 2	♣ 10 9

S
♠ Q 9 6 5 2
♥ K Q 2
♦ 10 8
♣ 8 6 4

North was dealer with both sides vulnerable and opened the bidding with one club, to which South replied with one spade. North rebid three spades and South's bid of four spades concluded the auction.

Although three no trumps happens to make because the diamond suit breaks evenly, four spades is preferred. West led the diamond ace and in response to East's encouraging seven continued with the three. East won with the queen and led the king. The declarer was forced to ruff. His next move was obvious: he finessed the knave of spades.

East did his best by playing the three. After a slight pause for thought, the declarer found the correct continuation by leading the 10 of spades.

Whichever opponent held four spades, it mattered not. If the king was played, another diamond lead would not trouble the declarer. He would ruff in dummy with the ace and come to hand by leading the heart eight. Trumps could be drawn and 10 tricks made. Should East hold up the king of spades, the declarer cashes the ace of spades and plays clubs and forces out the king of trumps.

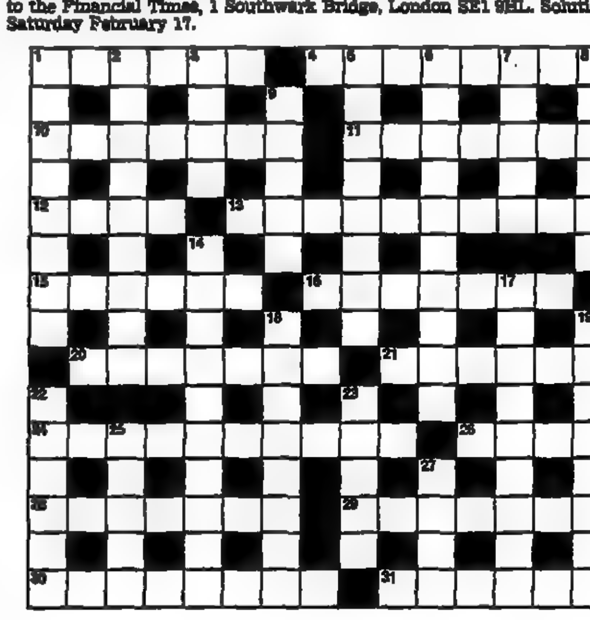
A most unusual safety play in trumps – full marks to South.

E.P.C. Cotter

CROSSWORD

No. 8,984 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday February 14, marked Crossword 8,984 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Saturday February 17.

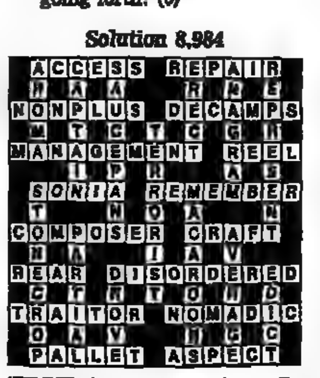


Name.....
Address.....

ACROSS
1 Girl's month of alarm? (6)
4 Contemptuous of curls, carelessly set around Norma's head (8)
10 Well-versed in New Latin of the wedding (7)
11 Counter makes a profit, by the way (7)
12 Power of cardinal? (4)
13 Her 10 success was imperilled after 13 (10)
15 Tense aquatic creature to stagger (6)
18 Heart tonic? (7)
20 It is put into orbit for a brighter outlook (7)
21 Pope's trip to the French nation (6)
24 Discharge needs tar compound (10)
26 Room for improvement here (4)
28 Answers not right, muddled, first going to university (7)
29 Italian explorer brought back firm pieces of broadleaf (7)
30 Such greetings short and sweet, *initially*? Yes, in a way! (8)
31 Having multiplied without going forth? (6)

DOWN
1 Narcotic, commonly, may end it unexpectedly (8)
2 Unsound reasoning – as concession to the past – has nothing in it (9)
3 League team in South Africa returning (4)
5 Thriller-writer whose victims are snuffed out, maybe (8)
6 Way smuggler produces desert-bird (10)
7 Fellow in a long deciding contest (5)
8 Giving faulty lathe to learner can be fatal (6)
9 Small, charming German eleven at home (5)
14 Simple-minded sort of people? (10)
17 Telegraphed response heard from entertainer (3-6)
18 Figures to be seen, still? (8)
19 Encumbrance of western stage? (8)
22 Vast distance right in space, possibly (6)
23 Haughty, frequently, in lordly extremes (5)
25 One in flight can create a stir (5)
27 Article on outside broadcast in Scottish resort (4)

Solution 8,984



Solution 8,972

WINNERS 8,972 Moira Ross, Banchory, Aberdeen; F. Ford, Whiston, Staffs; Dr J.E. Gibbs, Twickenham; L.R. Holmes, Streetly, W. Midlands; J. Hopkins, Haddington, Lothian; J.R. Linsey, Charlton Kings, Glos.

James Morgan

Sandra and Nelly's lesson from the east

Asian Values are not all they seem to many in the west. The reality of the east is the cliché of cultural diversity

The great myth of the decade is Asian Values. Read a half-decent newspaper, turn on the radio or a serious TV programme and you confront solemn musings on this phenomenon.

In an interview last weekend the former Singapore prime minister, Lee Kuan Yew, persuaded Sir Charles Powell, the former adviser to Margaret Thatcher, that Asian values would triumph. He cited a system of childcare that made it "a solemn pact to see the child to full fruition". This point is often missed in the western media with its endless interest in child prostitution, female infanticide and lethal orphanages.

Lee is a great interpreter of our times, and always was. When I lived in his island republic 25 years ago he was creating new values to build a "Singapore identity". By the sheer power of his intellect he convinced the world that the pursuit of his inimitable policies at home represented the application of general principles from which all could learn.

One key to Singapore's success is seen in the vast rehousing schemes. The population was moved to fine new estates where Cantonese and Hokkien found themselves living side by side. They then learned Mandarin to understand each other. Ancient values disappeared with ancient slums, and a largely Chinese population, for the first time in history, stopped spitting and admired its government.

Francis Fukuyama, the Japanese-American thinker, has graphically underlined the flaw at the heart of any generalisation about Asian values. If the police come to Mr Tan's home in Guangzhou to arrest his father, he will deny all knowledge of dad's whereabouts, even though dad is watching the telly in the back room. In the same situation, Mr Suzuki in Tokyo will immediately hand his father over.

The contrasts go further. In Bangkok, a financial transaction would ensure the policeman went away happy. In Jakarta, money would be handed over but the implicit bargain would not be honoured.

The reality of the east is the cliché of cultural diversity. A national frontier means a move from one civilisation to another. The people look different and care little for their neighbours. Take your time travelling from Singapore to Bangkok and you find few shared values.

Only in two areas, food and sex, does east unite against west. I recall enjoying a delicious soup in Kuching, the capital of the Malaysian state of Sarawak, with a local businessman. I stupidly asked what was in it and, when told, winced. My host giggled. "You westerners are strange: you won't eat carnivores!"

The other tale concerns a dalliance in Singapore. The lady involved, whom we shall call Sandra Wong, reflected my taste in such matters for she was a paragon of impregnable virtue. Her best friend, Nelly, was different. She made a good living by selling her favours to men for substantial sums. (This was in the early days of Singapore's independence and doubtless such negative phenomena have now been banished.)

One day I asked Sandra if she would like to join me, and an acquaintance from Manila, for dinner. She promptly asked, "Does he like girls?" So it was that Nelly came, too. After a nightcap in our visitor's hotel room, Sandra and I departed. The next evening I received a call from Nelly to thank me for the introduction and to say she would pop round shortly. It took me a while to realise that I was being offered a commission that involved payment in kind. It is impossible here to list the reasons why I felt unable to take up this amazing free offer.

When I tell this story west of Suez it arouses incredulity. A few miles east, the sole point of interest, tinged with scepticism, is that I did not take advantage of the opportunity. Even Sandra was surprised.

So today, when people insist that Asian economic dynamism is founded on a *unique value system* combining social cohesion and firm communal and familial foundations, I always think of Sandra and Nelly.

Lunch with the FT

Cigar ban has Hanson fuming

Nigel Spivey met Lord Hanson – before he announced the break-up of his industrial empire this week

Lord Hanson: 'Schools are turning out morons. They come to us for employment, but they're utterly unemployable. Arithmetic, spelling – no better than 10-year-olds.' Trevor Humphries

Hanson hails from Viking stock. So does Spivey. Eye to eye at the altitude of 6ft 2in, we measured each other up. Hanson's ancestry lies in Huddersfield; Spivey's, around Leeds. Perhaps our forebears once shared a longboat, and pillaged south Yorkshire together. Then their ways parted.

The Spiveys disowned a regrettable past – the surname is said to mean "sheep-stealer" in Old Norse – and took to evangelism. The Hansons, meanwhile, relinquished pillage for haulage. Theirs was the road to riches. Transporting goods around the country is the olden basis of the present global Hanson empire.

"I don't care if people know about my salary," breezed Hanson the Bold. "I implemented Greenbury rules before they were even invented. You can tell the readers of your left-wing paper precisely what it is."

(For the benefit of the Financial Times' two or three Marxist faithfuls, let us get that over with: £1,382,000 a year.)

We met at The Berkeley, round the corner from Hanson's headquarters in Grosvenor Place. Although elegant and roomy, the prices are modest, the fare decent and uncomplicated. It amused Hanson, plainly a regular at our corner table, that the bill would be met by this left-wing paper. "My host will have this," he would say, with a ducal wave, "bring a bottle of house claret for my host." His trim charm never faltered. Well, hardly ever. We shall come to that.

Hanson belongs to a select caucus of Anglo-American advisers to Conrad Black, the media emperor. Included in the membership are Margaret Thatcher and other such oracles of the right as William F. Buckley. Hanson himself is a journalist *manqué*. And not so *manqué*, either. Just before we met, he had been peppering the press with the thoughts of Chairman Hanson on Europe, roads and education. I had seen his blast of Euroscepticism (in Black's weekly, The Spectator), but not the roads and education. These were two hobby-horses which he happily exercised over our lunch.

"Road tax should be for roads," he declared. "£23bn a year we pay to use 'em, and precious little of that gets spent where it should – repairing the highways, building new ones. The government's simply ignoring the constituency of drivers, and listening too much to these good earth people."

Good earth people?

"The hippies you see blocking us in the Mendips. Not friends of the earth at all, just rent-a-mob."

One would hardly expect a Viking turned haulier to think otherwise: especially when a chunk of his conglomerate interests lies in the production of road-building aggregates. Warming to my role as buccaneer from the left-wing press, I opined that in an overcrowded island like ours, it was time to abandon roads and cars.

He snorted: "Yes. And abandon all our growth prospects, too."

"But you value your place in the country," I protested.

"So?" replied Hanson. "Peter Palumbo's got a motorway going straight past his estate. He's not stopping it. He's planting trees to screen it off."

I wondered (to myself) what the non-Palumbos do if, for some petty reason, they lack the capacity to put a forest between themselves and one of Hanson's highways. Hanson himself migrates for five months of the year to Palm Springs in California, where he likes to nip around on a bicycle. Before I could point out that the rent-a-mob folk prefer two wheels to four, we were on to the next hobby-horse.

"Schools," Hanson cantered, "are turning out morons. They come to us for employment, but they're utterly unemployable. Arithmetic, spelling – no better than 10-year-olds. There's nothing we can offer them. I blame this child-centred education. What about you?"

I muttered something about computers turning children into vegetables. And something else about over-crowded classrooms. These were not factors in Hanson's analysis.

"Teachers need a shake-up. Kids aren't at school to enjoy themselves. It's time teachers did some teaching. Don't tell me it's underfunding. We spend more of our national income on education than the Germans or the Japanese."

I asked when he thought the rot had descended on British education. "About 30 years ago," he said. "Yes, well," I said, "the government's got a lot to answer for." "Nonsense," said Hanson. "It's the teachers. Obdurate lot, won't take change."

The morons issuing from British schools will not find work in Hanson's company. His son, however, is doing well. Was he being groomed for succession?

"Robert came in completely of his own accord," said Hanson. "Surprised me. I never put him up to it at all."

He admits that the City is not well-disposed towards his conglomerate, or indeed any conglomerate. His holdings range from cranes to cod liver oil. I asked him if his many interests outside Britain had developed because of Thatcher's torpedo on British industry. "Margaret didn't shut things down," he snapped. "Only you academics say that, in your ignorance. She enabled."

Then a more immediate bone of contention was set before us. Hanson ordered me a chocolate dessert, and asked if the FT would run to a cigar. Surely, I said. A garçon was summoned.

"I am sorry," said the garçon. "We have many complaints about your lordship's cigars. Cigars no longer permitted in dining room."

The moment is frozen in my mind. Lord Hanson's features were corrugated with fury. The waiter, meanwhile, looked as careless as anyone might – anyone who did not know that another chunk of the Hanson conglomerate is rolled up in Imperial Tobacco. I drew an expectant breath.

"Since when," hissed Hanson, "has this ruling been in force?"

"Manager he decide last week, sir."

"Manager will be hearing from me," said Hanson, ominously, and convincingly. Then, recalling his composure, he said to me: "You see? These minorities, like the road-wreckers, dictating to us. We have to make a stand. This place may just have lost a very esteemed customer."

I feared we two erstwhile Vikings were thus far united on little enough, so I was glad to be able to sympathise with him on the cigar issue. We parted, in fact, on what I took to be friendly terms. "You must come and have lunch with me," said Hanson. "Of course," I said, as one does. But I hardly anticipated that while I was still settling the bill, a call would come from Hanson's secretary, asking if I could come to lunch three days hence.

Lunch with Hanson Revisited, at his flat on the Brompton Road, deserves a brief description. It was a manly occasion, and the cuisine reflected Hanson's robust Yorkshire virtues. A densely packed souffle, a hearty stew of British beef and mince pies served with cuts of farmhouse cheese. Other guests included Richard Addis, the boyish new editor of the Daily Express, and Kenneth Baker, former home secretary, who is a non-executive director of the Hanson company.

Cigars proliferated with impunity. Talk turned from roads (inadequacy of spending on), to education (abysmal quality of). Baker declared that teachers should spend more time in the classroom. "Start at seven-thirty, teach till five. None of this clocking-off in mid-afternoon. Time to end those 16-week holidays, too."

There were puffs and clinks and grunts of agreement. Hanson basked in the convivial business of gentlemen setting the world to rights over a good meal and a smoke. And the curious illogicalities that surface on such occasions duly arose. Having comprehensively impugned the teaching profession, the gentlemen then deplored the failure of John Major to attend the funeral of the London headmaster murdered in his own playground. "It was a focus of national concern," we agreed. "He should have been there."

I walked meditatively to the Tube station with another guest, Nicholas True. True is a former member of the Policy Unit at the prime minister's office, whom Hanson is sponsoring to chronicle the post-war demise of British education. "The City doesn't like his business," said True. "But he's a good sort. Don't you find?"

"Yes," I said. "But then, we were brothers in another life."

And, I should have added, there are many ways to reach Valhalla.

Peter Aspden

Reality too close for comfort

The Prince of Wales wants us to be more spiritual as we think about the turn of the millennium. As is frequently the case, his instincts are sound. It would, indeed, make a pleasant change if people used the occasion to reflect soberly on the future of humanity rather than lurch drunkenly into the new era in a sybaritic stupor. But the evidence is not encouraging.

Prince Charles takes as a wholesome example the beginning of this century, with its "faith in unbounded progress", and contrasts it sharply with the "apocalyptic pessimism and despair" which can be heard in much of today's popular music, literature and theatre.

Well, I don't know which giant, meaningless party he might have attended as 1899 turned into 1900, but the smart talk in high-powered circles was surely of the increasingly influential Sigmund Freud ("I have found little that is good about human beings on the whole. In my experience most of them are trash ...") and the dying Friedrich Nietzsche ("Man is something that should be overcome").

The dominant art form of the time, art nouveau, sinuously celebrated in its writhing forms the dark, sensual side of human nature, while the hottest selling poetry book in town was *The Ballad of Reading Gaol*, by prisoner C.3.3., otherwise known as Oscar Wilde. Whatever our Prince might think, when they were not killing the things they loved, the *fin de siècle* groovers of western Europe were certainly *not* seeing everything rosy in the seedlings of the 20th century garden.

There was a certain kind of confidence around, though, even if it was founded on geo-politics rather than philosophy. "The Empire, stretching round the globe, has one heart, one head, one language, one policy," reported one self-satisfied British newspaper on January 1 1900.

At least the Prince has the grace to see that this is far from the case today, even though his sensible insistence that Britain comes to terms with its multi-cultural character falls largely on deaf ears ("You Mosque Be Joking," wrote one tabloid of his recent article).

Despite the Prince's entreaties to embrace a more spiritual approach, we are actually travelling in an opposite direction; we are becoming more corporeal. Sport, and the business of sport, is the principal arena in which common people's aspirations and ideals are expressed; more so than in art, if only for its mass audience.

This was clearly seen in this week's launch of Adidas's global television advertising campaign for the summer's Olympic Games. Gone are the images of naked triumphalism, replaced by nothing less than highly condensed soap-operas: Canadian sprinter Donovan Bailey inspired by the spirit of Jesse Owens; Cuban long-jumper Ivan Pedroso moved by the lilting rhythms of his homeland; faces racked by pain, bodies heaving with superhuman effort.

At the launch, a modishly post-cold war panel of athletes – from Canada, Cuba and Germany – shyly became company men for the day and talked of harsh training regimes, ridiculous sacrifices, more pain, more effort.

Strangely, it seems we all identify with them. In 1994, Adidas sold more than £800m worth of sporting footwear to the world. Why? Because we all want to be Olympic athletes? No, because we want to buy into the myth, the most potent myth around right now, that to wear a pair of training shoes is to discover the secret of a long and successful life. As long as we are fit, lithe, preened and pumped – or at least equipped for it – we will not die from undesirable diseases, we are attractive to others, we radiate confidence. We are children of our time.

And spirituality? Poor Charles. Amid the worthy, rambling thoughts on rebalancing our lives, on renewing our hopes for the human condition, on paying respect to other cultures, the thing that people *really* care about today was literally embodied before him for all those years.

She can still be seen daily in west London, in stretch-tight red jumpsuits and bright white trainers, glowing with health and ready to poke an over-intrusive eye out with her car-keys. He might have consulted her before writing his party piece, but I have heard that he doesn't see his wife too much these days.

WEEKEND INVESTOR

Last week's preliminary results

Company	Sector	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
Allied Textile	Text	Sep	18,900 (17,000)	19.5 (18.1)	7.3 (6.8)
Ashtell Associates	Prop	Sep	376 L (317)	- (1.81)	- (-)
Basle	ReGn	Oct	2,850 (2,880)	17.7 (20.0)	8.7 (-)
British-Borneo	O&E	Dec	13,600 (11,400)	23.12 (21.09)	7.5 (7.5)
Bullough	Eng	Oct	10,500 (17,600)	3.67 (9.67)	8.05 (8.05)
Eurocamp	L&H	Oct	9,230 (8,650)	22.4 (22.4)	11.0 (10.5)
Fyffes ‡	BeFd	Oct	42,000 (38,100)	7.91 (7.02)	1.8674 (1.5158)
Gartmore British	InTr	Dec†	138.6 (120.2)	8.25 (6.27)	7.85 (6.8)
Haemocell	Hlth	Aug	2,520 L (2,350 L)	- (-)	- (-)
Kleinwort Charter	InTr	Nov†	291.9 (236.4)	5.66 (4.57)	5.5 (5.05)
Lorien §§	AIM	Nov	971 (169)	12.1 (2.7)	3.8 (-)
Partridge Fine Arts	ReGn	Oct	1,900 (2,800)	5.93 (8.94)	2.9 (3.3)
Porvair	Chem	Nov	5,120 (3,110)	18.0 (13.7)	5.4 (4.8)
Ramsden's (Harry)	BP&R	Oct	1,150 (950)	9.0 (8.2)	6.9 (4.5)
Scotswood	AIM	Sep	[illegible]	1.06 (0.65)	1.0 (-)
Soundtracs	E&EE	Nov	3 (724)	0.11 (4.69)	0.92 (2.9)
St Andrew	InTr	Dec†	351.1 (312.7)	9.26 (8.34)	[illegible]
Trencherwood	B&C	Oct	[illegible] (2,116)	1.34 (2.55)	- (-)
USDC	InTr	Dec†	294.4 (269.1)	5.92 (4.61)	4.75 (4.5)

Last week's interim results

Company	Sector	Half year to	Pre-tax profit (£000)	Interim dividends* per share (p)
AIM	Eng	Oct	1,280 (185)	1.5 (1.5)
Adscene	Med	Nov	2,670 (2,120)	3.5 (3.0)
Anglo United	Dvin	Sep	10,200 L (3,200 L)	- (-)
AromaScan	E&EE	Oct	663 L (619 L)	- (-)
Ashtead Group	B&C	Oct	8,880 (6,580)	0.65 (0.53)
Asia Healthcare ★	InTr	Sep†	93.3 (-)	- (-)
Ball (AH)	B&C	Sep	76 (2,710 L)	- (-)
Beales Hunter	E&EE	Nov	1,610 (2,380 L)	2.9 (2.75)
Birkdale	Med	Sep	1,150 L (142)	- (-)
Black (Peter)	HseG	Dec	8,210 (8,350)	1.37 (1.26)
Bucknall	Prop	Oct	261 (105)	- (-)
Caledonian Media	Med	Sep	397 L (249 L)	- (-)
Cavaghan & Gray	FdPr	Oct	1,130 L (721)	1.5 ● (1.0)
Channel Hldgs	E&EE	Sep	308 (902)	0.55 (0.55)
Colorvision	ReGn	Sep	492 L (590 L)	- (0.3)
Consolidated Coal	Extn	Sep	178 L (244 L)	- (-)
Contra-Cyclical ©	InTr	Dec†	34.5 (42.0)	2.25 ♥ (2.25)
Copyright Promotions	Med	Oct	777 (169)	0.6 (-)
Courtyard Leisure	BP&R	Sep	250 L (79 L)	- (-)
Dyson (J&J)	BdMa	Sep	815 (682)	1.5 (1.5)
Edinburgh Small	InTr	Dec†	118.8 (94.1)	- (-)
Eurodis Electron	Dist	Nov	14,100 (2,490)	1.85 (1.55)
Farlake	AIM	Sep	54 L (9)	- (-)
Filtronic Comtek	E&EE	Nov	2,010 (1,300)	0.75 (-)
Games Workshop	L&H	Nov	3,170 (2,470)	2.0 (1.5)
Grosvenor Inns	BP&R	Nov	863 (718)	2.75 (2.5)
Haynes Publishing	Med	Nov	2,210 (2,150)	4.5 (4.0)
High Income	InTr	Dec†	[illegible] (82.25)	1.6 (1.6)
IAF Group	OtFn	Dec	601 (754)	0.25 (0.2)
Intl Greetings	AIM	Sep	1,030 (618)	5 (-)
Invesco Tokyo ◆	InTr	Nov†	57.86 (-)	- (-)
Kay's Food	FdPr	Sep	2,780 L (-)	- (-)
Lister	Text	Sep	6,190 L (700 L)	- (-)
Mitie	SpSv	Nov	19,200 (11,200)	3.97 (3.45)
Peel Hldgs	Prop	Sep	4,940 (3,230)	2.0 (1.7)
Prism Leisure	L&H	Sep	484 (580)	1.38 (1.25)
Property Trust	Prop	Sep	271 (254)	- (-)
Regent Corp	B&C	Sep	1,360 L (302)	- (-)
Rubicon	Eng	Nov	2,840 (1,820)	2.2 (2.0)
SelecTV	Med	Sep	2,090 L (817)	- (-)
Select Inds	EngV	Dec	55 L (931 L)	- (-)
Stewart Ziggurats	N/A	Sep	94 (47)	- (-)
TR City of London	InTr	Dec†	167.28 (141.38)	1.42 (1.31)
TR Smaller Co's	InTr	Nov†	221.9 (193.9)	1.5 (1.3)
Whitney M-Lewis	Prop	Oct	107 (179 L)	- (-)
Wholesale Fittings	Dist	Oct	2,380 (3,620)	3.5 (3.25)
Wyko Group	Dist	Oct	2,030 (737)	1.0 (0.5)
Zetters Group	L&H	Sep	[illegible]	5.0 (5.0)

(Figures in parentheses are for the corresponding period.) *Dividends are shown net pence per share, except where otherwise indicated. L=loss. † Net asset value per share. ● Includes 0.5p on Delepak capital in issue prior to merger. ‡ Irish punts and pence. §§ Pro forma figures. ♥ Third interim; makes 6.75p to date. © 9-month figures. ◆ 10½-month figures. ★ 11-week figures.

Rights issues

Ashtead Group is to raise £65.3m via a 1-2 rights issue at 152p.
British Borneo is proposing a 2-5 rights issue at 310p.
IAF Group is to raise £6m via a 2-5 rights issue of 60.6m shares at 10p.
Oxford Molecular is to raise £16.2m via a 1-7 rights issue at 235p.

Offers for sale, placings & introductions

Data Sciences is to raise about £40m via a flotation.
Fulmar Group is to raise £10m via a flotation.
Macdonald Hotels is expecting to raise between £20m & £30m via a flotation.

Results due next week

Company	Sector	Announcement due	Dividend (p)* Last year Interim	Final	This year Interim
FINAL DIVIDENDS					
Amicable Smaller Enterprise	InTr	Wednesday	1.70	1.45	1.20
Continental Assets	InTr	Wednesday	-	-	-
Edinburgh Java Trust	InTr	Thursday	-	-	-
Fleming Claverhouse	InTr	Monday	-	1.88	-
French Property Trust	InTr	Tuesday	-	1.45	-
Gardiner Group	Dist	Tuesday	-	0.85	-
Gartmore Emerging Pacific	InTr	Thursday	-	0.17†	-
Hardys & Hansons Brewery	BP&R	Friday	1.00	3.50	2.00
Murray European Inv Tst	InTr	Wednesday	-	0.35§	-
Nightfreight	Tran	Friday	1.13	2.25	-
P & P	SpSv	Thursday	0.95	1.85	1.15
Waste Management Intl	SpSv	Monday	-	-	-
Yeoman Inv Tst	InTr	Tuesday	6.4	1.8	-
INTERIM DIVIDENDS					
Amstrad	E&EE	Thursday	1.0	1.5	-
Angerstein Underwriting	Insu	Wednesday	0.8	2.25	-
BAA ★	Tran	Wednesday	4.125	-	-
Betacom	E&EE	Wednesday	-	-	-
British Airways ★	Tran	Monday	3.5	8.9	-
British Sky Broadcasting	Med	Tuesday	-	2.5	-
British Telecom ★	Tele	Thursday	7.65	10.85	-
Compel Group	SpSv	Friday	1.43	2.87	-
Continental Foods	FdPr	Wednesday	1.00	2.50	-
Dalgety	FdPr	Monday	5.5	13.5	-
Eldorf	HseG	Monday	-	-	-
Excalibur Group	Eng	Wednesday	0.3	0.45	-
Henderson Admin Group ‡‡	OtFn	Monday	13.50	-	-
Howard Holdings	B&C	Tuesday	-	0.80	-
Jersey Phoenix Trust	InCo	Friday	-	-	-
Mid Wynd Inv Tst	InTr	Monday	2.8	3.8	-
US Smaller Co's Inv Tst	InTr	Monday	-	0.50	-
VDC	AIM	Monday	5.5	13.5	-
Westminster Health Care	Hlth	Thursday	2.1	3.3	-
Wyevale Group	HseG	Thursday	0.80	0.80	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about six weeks after the board meeting to approve preliminary results. ‡‡ 1st quarterly. ◆ 2nd quarterly. ★ 3rd quarterly. § Yearly dividend.

Directors' share transactions in their own companies

Company	Sector	Shares	Value £000	No of directors
SALES				
Asda Group	RetF	10,000	11	1
Abbott Mead Vickers	Mdia	376,000	1780	2
Allen	BCon	200,000	444	1
Amberley Group	BM&M	1,500,000	1050	1
Berkeley Group ‡‡	BCon	1,399,112	3656	3
Border Television	Mdia	75,000	194	2
Chime Comms	HGod	100,000	37	1
Fired Earth Tiles	RetG	17,000	11	1
Lancashire Enterprs	Misc	78,700	106	2
Manweb-Swain	Elec	20,000	54	1
Morland	Brew	2,000	12	1
Nobo Group	OS&B	66,000	65	1
Precoat Intl	Uncl	7,000	12	1
Scottish Metropoltn	Prop	14,000	10	1
Smith (WH)	RetG	3,247,341	12989	1
Yorkshire	Elec	7,000	47	1
Asda Group	RetF	2,452,676	2698	1*
Cobham	Eng	137,839	696	2*
Cohen (A)	Eng	3,000	18	2*
Laing (John) §§	BCon	12,000	31	1*
Scottish Power	Elec	101,010	390	1*
Shani Group	Text	150,000	225	1*
PURCHASES				
API Group	PP&P	2,500	14	1
Bailey (CH)	Eng	200,000	12	1
Ballynatray	Prop	200,000	12	4
British Biotech	Pharm	3,000	54	1
Euclidian	Insu	11,000	10	2
Eurocopy	Elec	100,000	65	1
Finlay (James)	FdPr	27,000	19	1
Forte	L&H	4,425,000	16643	1
OMI Intl	Eng	174,000	22	2
Photo-Me	OS&B	51,750	62	4
Skyepharma ◆	SSer	640,000	36	1
Tele-Cine Cell	Mdia	30,000	21	1
VHE Hldgs	BCon	25,000	18	1
Witan Inv	InvT	10,000	27	1

Companies must notify the Stock Exchange within five working days of a share transaction by a director. This list contains all transactions (listed and USM), including exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange January 22-26 1996. Shares traded are ordinary, unless otherwise stated. ◆= Warrants. ‡‡= Nil Paid Rights. §§= A Ordinary Shares. Source: The Inside Track, Edinburgh, 0131-538 7070

Bids

In a relatively quiet week for bids, three deals stood out. On Monday, Persimmon looked to have made a knockout blow in its attempt to buy Ideal Homes when it made an offer worth at least £170m and secured conditional acceptance from the housebuilder's owner, Trafalgar House, *writes Patrick Harverson.*

Although a counter offer for Ideal Homes could yet emerge from rival housebuilder Beazer, which continues to smart following Trafalgar's rejection of its formal offer early in January, analysts believe such a move is unlikely given the Trafalgar management's opposition to it.

Persimmon announced it would finance the offer partly through a rights issue, which is expected to raise about £91m. It is expected ultimately to pay a total of £180m when Ideal Homes' tax losses are included.

□ Midweek saw confirmation that Gehe, the German group which is Europe's biggest pharmaceuticals wholesaler, was interested in acquiring Lloyds Chemists. After friendly talks between the two, Gehe is now considering whether to launch an offer to rival the agreed £528m bid from Unichem, the UK drugs group.

Analysts said Gehe would have to pitch its offer around 450p a share to stand a chance of trumping Unichem's bid of around 410p.

□ Trade Indemnity, the UK's last independent credit insurer, agreed to a £177.3m takeover by *Compagnie Financière* SFAC, a French group. The deal ends a tumultuous chapter for Trade Indemnity, which suffered heavy losses in the last recession. The takeover by SFAC will create one of the world's largest credit insurers.

Current takeover bids and mergers

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m**	Bidder
Cluff Resources ‡	129	150	92	92.97	Ashanti
Ferry Pickering	195*	192	[illegible]	26.13	Waco
Forte ‡	348§§	349	275	3.30bn	Granada
Hobson ‡	31*	31	28	121.00	Hillsdown
Lloyds Chemist	406§§	450	366	503.03	UniChem
Molyneux Estates	106	99	80	48.77	TBI
Northumbrian Water	1170§*	1170	1034	822.94	Lyonnaise
OIS Intl. ‡	34	32	[illegible]	10.20	Abbot Group
OIS Intl.	28*	32	28	8.40	OGC
SEEBOARD	535*	534	531	1.56bn	Central & S.West
South Wales Elec ‡	855§§	851	1108	886.25	Welsh Water
Trade Indemnity	97*	96	73	177.22	Cie. Fin. SFAC

Prices pence unless indicated. *All cash offer. §For capital not already held. ‡ Unconditional. **Based on lunchtime prices 2/2/96. §§Shares and cash. ◆Value of bid includes 14p special dividend. ¶Value of bid includes 47p special dividend.

Directors' dealings

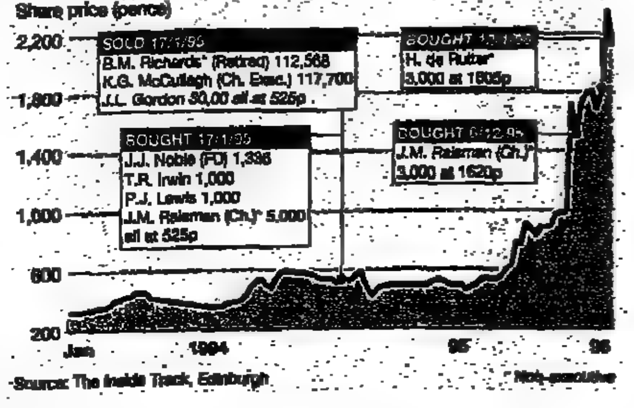
OMI International shares have had a grim time recently, *writes Vivien MacDonald of The Inside Track.* But the chairman has now added more to his holding.

□ In contrast, British Biotech's shares have outperformed spectacularly. This has not deterred the directors, who are still buying.

□ Largest sale of the week was at W. H. Smith where non-executive director Philip Smith sold more than 3.2m shares.

□ Last week's mention of Dawson Group should have referred to Dawson Holdings.

British Biotech



Source: The Inside Track, Edinburgh *Non-executive

The week ahead

MONDAY: Waste Management International, the UK-quoted arm of WMX Technologies of the US, is expected to announce annual pre-tax profits of about £145m, down from last year's £165m. The profits figure excludes a £123.2m exceptional charge to cover the costs of restructuring. Margin and price pressures have hit profits, particularly in Italy, where WMI is the market leader.

Analysts forecast only an 8 per cent rise in profits for 1996, but are optimistic after that.

TUESDAY: British Sky Broadcasting, the satellite television venture, is expected to show a surge in profits when it reveals its results for the six months to December.

The company, valued at more than £7bn, is expected to make pre-tax profits in the region of £105m, compared with £63.2m last time, including exceptionals.

The extra profits are due largely to the growing number of subscribers. By the end of December, about 4.66m homes were receiving BSkyB programme services through satellite dishes and cable networks, compared with 4m a year ago.

In the Pink

Don't waste time on charts – they simply do not work

Technical analysis has no base in reality – it is in the same league as alchemy, astrology, dowsing and UFO sightings, argues John Train

John Train is chairman of Montrose Advisers, investment counsel in New York City

Technical analysis in the stock market is a term that does not correspond to an underlying reality. The extraordinary thing is that although it demonstrably does not work, it is still very much in demand.

At the risk of offending many, I will venture to compare it to alchemy, astrology, dowsing, simple solutions to complicated political issues and UFO sightings.

Mankind craves attractive easy formulas in order to avoid hard or painful thought, and people will resist to the death – sometimes literally – facts that could disabuse them of cherished beliefs and pleasant dreams.

Anyway, as to technical analysis, let me at once make a distinction: *market* analysis is a look at how far the pendulum has swung, so to speak, in terms of its traditional range – like taking a patient's temperature.

In other words, if stocks are selling near an historically high multiple of their replacement value, then obviously you should beware. If a stock is selling for much less than replacement value – or, indeed, less than cash in the bank net of all indebtedness (as happens much more often than you might think) – then you are on safe ground.

These simple indices are reasonable and systematic. They should be used not necessarily to predict the future but to give us an idea of where we seem to be. I would say that all good investors are reasonably conscious of these criteria.

Charting – with its emphasis on reading the patterns of the dotted lines, rounding bottoms, head and shoulder tops, flags, pennants and all that – is what does *not* work. This subject has been studied to death and, invariably, has been shown not to yield consistent results for any considerable period.

Some firms I know have spent millions of dollars testing these systems, looking for the philosopher's stone. Usually, after an investment like that, the group then feels it should offer the service to customers.

> I have frequently received indignant communications from brokers favouring technical analysis. My reply is that if the analyst believes what he says, he should be glad to join my game

But what they get is what is known as "playback" or "data mining" where they learn what would have done handsomely up until yesterday but also, alas, what turns out not to work consistently in the future. I have been exposed to scores of these analyses and that has always been the result of them.

Indeed, one very elaborate study I know about, done by a top Wall Street firm, showed there was a slight *reverse* correlation of market performance with predicted results.

As the market touched off one of these signals, it did the opposite of what was expected as traders followed the traditional policy: "Buy on the rumour, sell on the news".

There are a number of Wall Street market letters offering technical advice on stock trading. They are almost always unsuccessful over long periods – sometimes amazingly (and, indeed, comically) unsuccessful.

An excellent example of technical analysis in practice is commodity trading. This is generally based on technical rather than fundamental analysis since, when it comes to gathering facts, the speculator cannot hope to match the big traders in "physicals" – that is, companies which actually buy and sell the goods because they need them for their own production.

Hershey and Nestlé, for example, know more about the goings-on in the Ghana cocoa market than your friendly broker. He, therefore, is often reduced to exhorting you to "buy on strength" or "sell on weakness" or whatever.

And of course there is no intrinsic build-up of wealth going on here, just a betting game. The friendly broker is in business to make money for the house, not for you, just as in any other casino.

In a book called *The Money Masters*, I described the activities of a then highly successful commodity speculator named Stanley Kroll.

Before getting rid of all his clients and trading entirely for his own account, he had spent his business life as a broker for a number of well-known firms.

During this time, he had dealt with around 1,000 customers.

How many of these made money over any considerable period? Not one! In the commodity brokerage business, it is accepted that the life of a customer is about six months, by which time he is very likely indeed to have lost all the money he has available to gamble in this way.

My point is that here you have a good laboratory test of technical analysis, going on every day, just like a test of aspirin as a preventative of strokes.

It is easy and cheap but it doesn't work, any more than "systems" in gambling casinos work.

A tiny handful of players might succeed, but no more than that.

I have often written on this subject, and have frequently received indignant communications from brokers favouring technical analysis. My reply has been that if the analyst believes what he says, he should be glad to join in the following game.

We assemble a dozen or two old stock or commodity charts and cut them in two, vertically. The technician is handed the left-hand parts.

All he has to do is predict which way things went on the remaining right-hand parts. The answer is on the other halves of each chart, so the results are available on the spot.

Since a technical guru wants his customers to risk hard cash on his predictions involving brokerage, bid and asked spreads, custody and transaction charges, taxes and so on, he should surely be willing to give modest odds to the other player – say, around 1.3 to 1.

No American professional has accepted this challenge. But if any courageous representatives of firms in London would like to pick up the gauntlet, they are welcome to write to me care of the Financial Times and we'll have a go.

Weekend Investor

Wall Street

Has the groundhog got it wrong?

Maggie Urry looks at the lessons investors can draw for the economy

Yesterday was groundhog day in Punxsutawney, Pennsylvania. The weather forecasting rodent, which appears from its burrow on February 2 each year to predict when spring will arrive, raised its head in a brief moment of sunshine.

According to the theory, if the groundhog can see its own shadow, then spring will be late. If the groundhog is right, the bitter weather endured by much of the US is set to last for many more weeks.

On Wall Street, traders have been wondering whether the same will hold true for the economy.

Signs this week have suggested that the economy is slowing too much. The feared "R" word, recession, was whispered around the market on Thursday after the index calculated by the National Association of Purchasing Management showed a fall in January to a level which usually indicates the economy is contracting. Employment also fell.

But that news came after Wednesday's move by the Federal Reserve to ease interest rates for the third time since July. The quarter point cut in rates brought the Fed Funds target rate down to 5¼ per cent, three-quarters of a point down from the 6 per cent peak it reached almost a year ago.

If the shaft of sunlight seen by the groundhog means a long winter, will the sunshine of the Federal Reserve's interest rate easing also fail to dispel the dreary economic outlook?

Philip Tasho, chief investment officer at Rimco, the investment management arm of Riggs National Bank, based in Washington, disagrees with the groundhog. He believes 1996 will be a bright year for stocks.

Tasho says: "When the Fed is easing, value stocks do better. It's a great environment for value investing."

That goes against the view of many other strategists. Jeffrey Applegate, chief investment strategist at Lehman Brothers, for example, thinks growth stocks will do better again in 1996. He says growth stocks outperform when the economy is slowing, value stocks do better at times of accelerating economic growth and in 1996 the economy will be slow.

The distinction US investors draw between growth and value investing seems increasingly vague. Value investors aim to buy stocks which are cheap on some measure, such as price earnings multiples or share price to book value ratios.

They often pick cyclical stocks which benefit from economic upswings.

Growth investors are looking for companies which are increasing earnings rapidly, regardless of the economic environment. Drugs companies or some consumer goods groups often fit their portfolios.

As the chart shows, the growth investors have done better than value funds for the last three years. But many of the growth portfolio managers have been cheating.

Technology stocks used to be *regarded* as cyclicals, and therefore more the preserve of the value funds. When the economy expands, companies increase capital spending, and buy new technology.

But last year, growth investors have grabbed the technology sector for themselves, saying that these companies' earnings are increasing rapidly. Many of the better performing growth funds last year had heavy weightings in technology shares.

Grace Messner, vice president of equity management at Wimington Trust, is a value investor. But she believes that the line between growth and value is being blurred as secular trends overlay the economic cycle.

Tasho has used a method of combining growth and value investing for some years now, which he calls "value momentum" investing. With the help of a computer, he picks stocks with a relatively low p/e but in which earnings are rising faster than average.

The computer picks stocks using these criteria and ranks them from one to 10. Those ranked one to three are possible purchases, while any stocks already in the portfolio *which slip into the eight to 10* range have to be sold.

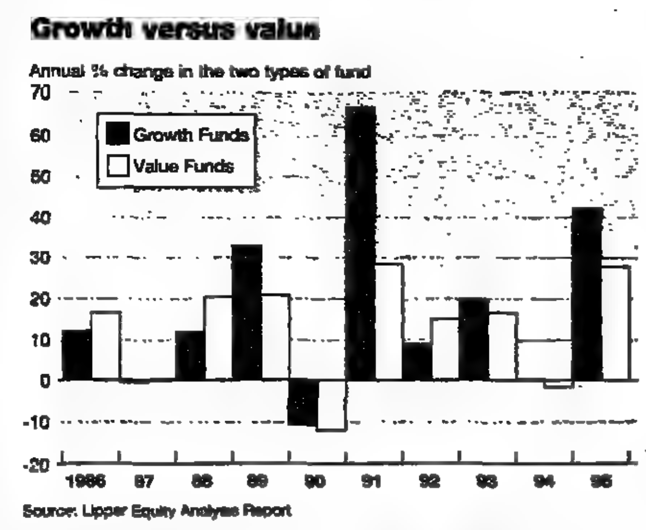
Tasho then does some fundamental research on the top rankers looking for a catalyst which will improve earnings, such as a restructuring by new management, new products with greater margin and growth potential, or a low cost producer which is increasing market share.

One of his recent selections is Dell Computer, a technology stock which he reckons will show 30 per cent earnings growth in 1996 but which is on a prospective p/e of under 8. A long-time favourite has been Safeway Stores, the food retailer in which Rimco first invested in 1993.

Tasho has ended with a portfolio of stocks which have, on average, seen dull earnings growth over the last five years, and have been relatively lowly rate by the market. But they are expected to achieve an acceleration of earnings in the next three to five years and that should give the best of both the value and growth worlds.

And, with a bit of luck, the groundhog will be proved wrong too.

Growth versus value



Source: Lipper Equity Analyses Report

Dow Jones Ind Average

Monday	5304.98	+33.23
Tuesday	5381.21	+76.23
Wednesday	5395.30	+14.09
Thursday	5405.06	+9.76
Friday		

London

Action reaches an anti-climax

But better things could lie ahead, says **Philip Coggan**

The stock market must have thought it was Christmas again this week – it had everything it could have wanted. Continuing bid rumours, one of its leading lights producing a shock demerger announcement, and cuts in interest rates round the world. On some days, though, you could almost hear traders saying: is that it?

The sense of anti-climax was most palpable at Hanson. The conglomerate's shares underperformed the market substantially in 1995 and even a substantial bid, for Eastern Electricity, failed to revive enthusiasm for them.

Something had to be done. And Tuesday's announcement of a four-way demerger, splitting the group into energy, tobacco, chemicals and building materials, received a favourable initial reaction from the market. But, as analysts did their sums, they began to suspect that this was one of those cases where the whole might be worth more than the sum of the parts. From a brief peak of nearly 220p on Tuesday, the shares fell back steadily during the rest of the week and closed yesterday at 197p – below their level before the demerger was revealed.

The Hanson announcement did at least give a lift to the level of trading. But while the FT-SE 100 index managed another all-time closing high on Wednesday and caught up a bit to produce intra-day and closing highs yesterday, its performance was at times lacklustre compared with Wall Street. The Dow Jones Industrial Average rose by nearly 110 points in the first two days of the week, while Footsie managed a net gain of only 0.6 points over the same period.

The new year has started well for world stock markets, with European bourses recording all-time highs and the emerging markets and Japan both rebounding from recent disappointments.

Falling interest rates can be one of the most powerful forces behind a bull market. This is particularly true if rates are being cut in the world's leading economies, the US, Japan and Germany. This week, the Federal Reserve cut the Fed Funds rate by a quarter of a percentage point; the Bundesbank cut German repo rates by the same amount (in two goes); and, one suspects, the only reason the Japanese did not cut their rates is that they are so low already.

So, why is the Footsie not heading rapidly for 4,000 rather than bouncing around between 3,700 and 3,800? There were still takeover rumours to keep the speculators happy, with Standard Chartered once more in the frame. There was even an actual bid, an agreed £177.3m takeover of Trade Indemnity, the credit insurer.

Perhaps the reason has been the steady drip-drip of profits warnings that has marked the start of 1996. Only a few have come from leading companies, but the slowing economy appears to be making it difficult for the corporate sector to achieve volume growth.

Among those issuing warnings this week were Vibroplant, the plant hire group; ERF, which makes heavy trucks; Lincat (catering equipment) and QS Holdings (*discount clothing*).

The chart shows the dividend index, which is designed to indicate the strength of corporate sentiment. It is calculated by deducting the number of dividend cuts from the number of increases, and expressing the result as a percentage of the total (including maintained pay-outs).

For much of 1995, the index was above 50 per cent and often over 60. This indicated that companies were confident, with most increasing pay-outs. But in October and November, and again in recent weeks, the index has dropped below 50 per cent.

The real test will come when the results season hits its stride in March. But events are *showing already that a slow* growth, low inflation economy is not unalloyed joy for the corporate sector. As an example, shares in food retailers fell sharply this week as brokers downgraded their earnings forecasts because of fierce competition in the sector.

These dollops of bad news are not yet sufficient to send the overall market down; the interest rate background is simply too positive for that. Indeed, the bull market could *have further to run.*

This column has said several times that the UK market tends not to do well in years when the yield on the All-Share index starts below 4 per cent. But a counter-argument *was made* this week by Michael Hughes, managing director of BZW global economics and strategy.

Presenting the group's Equity-Gilt study, a veritable Wisden of financial information, Hughes said demograph*ics may* be altering the ground rules for the market. The proportion of the population aged over 45 and over 55 is highly significant, because this segment saves heavily.

The over-45s have stayed *constant* at between 35 and 40 per cent of the population for the past 30 years. But the proportion is set to increase sharply, to between 45 and 50 per cent, by 2030. Accordingly, the supply of savings is likely to rise, which means that the price - interest rates and dividend yields – should fall.

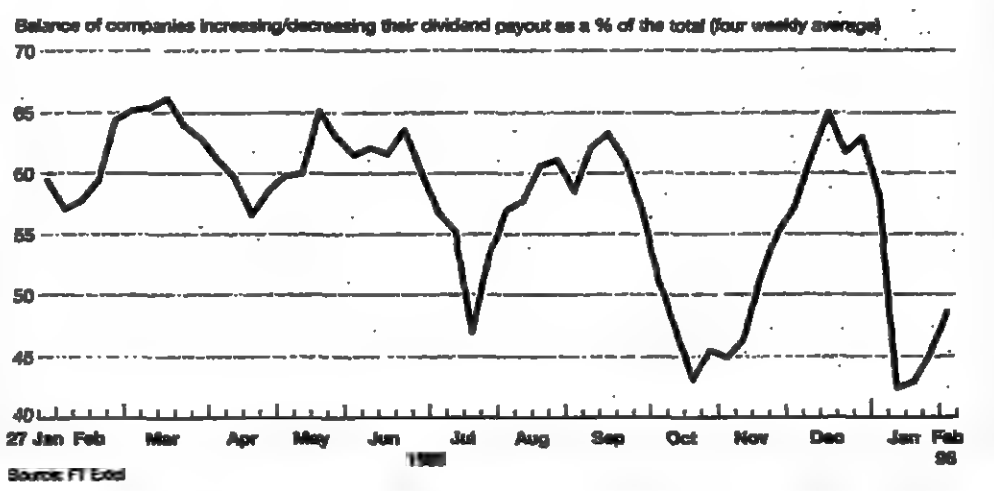
Hughes says that in the years before the second world war, when the proportion of over-45s was also increasing *sharply, there were six occa*sions when the market ended the year yielding less than 4 per cent; on five of them, equities rose during the subsequent year.

Other historical patterns also look favourable for the market. David Schwartz, editor of the Schwartz Stock Market Handbook, recalls the saying: "As January goes, so goes the year".

On every occasion since 1970 when January has seen a small *increase (less than 3.86 per* cent) in the market, share prices have risen during the rest of the year. Footsie jumped by 1.9 per cent in January 1996 so, if the theory holds, shares have further to go.

Christmas revisited in the stock market this week Robert Harding

Payouts on the wane?



Source: FT Extel

Highlights of the week

	Price y'day	Change on week	52 week High	52 week Low	
FT-SE 100 Index	3781.3	+46.6	3781.3	2977.0	US rate cut
FT-SE Mid 250 Index	4152.2	+65.6	4152.2	3300.9	UK monetary policy prospects
Abbey National	609	-23	563	423	Mortgage price war fears
Celltech	475	-182	692	247	Drug development dropped
Farnell Elect	589	+57	732	539½	Bargain hunting/broker recommend'n
Lincat	246	-43	290	258	Profits warning
Lloyds TSB	322	-21½	350	308	Mortgage price war fears
Meyo	641	+41	652	305	Bumper interim figures
RTZ	951	+46	957	721	Gold price surges
Redland	404	+20	469	322	European recovery hopes
Scottish & Newcastle	656	+39	659	489	Analyst presentations
Vodafone	244	+13½	255½	181½	Henderson Crosthwaite "buy" note
WPP	177	+12	178	101	Panmure Gordon recommends
Whitbread	716	+29½	716	521	Welcome Break acquisition hopes
Yorkshire Elect	752	+74	889¼	558	Takeover talk

Barry Riley

Better to spend than to save?

Governments are changing their priorities – and it's hurting

Savers everywhere are getting that sinking feeling. In the UK, rates on National Savings have just been reduced across the board and it is hard to get much more than 4 per cent on an instant access savings account in the high street.

It is worse over the Channel in France, where the tax-free rate on the *Livret A* national savings passbook account held by 46m French people has been trimmed from 4½ to 3½ per cent – a fall of 22 per cent in income, and the first for 10 years.

Suddenly, saving is out of fashion. It is time, many governments believe, to start stimulating the spenders instead.

For several years, in the UK and across Europe as well, those consumers have been hobbled by heavier taxes. But now, not surprisingly, economic growth is dipping worryingly below the optimistic levels pencilled in by the various finance ministers when drawing up their budgets.

With inflation seeming no problem, cheap money is the weapon being deployed. Even in the relatively buoyant United States, the Federal Reserve decided on Wednesday that a quarter-point cut in its key money market interest rate, to 5¼ per cent, would be a good idea.

In Germany, the Bundesbank also nibbled away at its main intervention rate this week by ¼ per cent, to 3.30 per cent. Switzerland is at 1¾ per cent already and Japan, of course, at ½ per cent.

In several countries, new post-war interest rate lows are being set. It is quite likely that the Bundesbank will act within a few months to cut its discount rate, now 3 per cent, to below the previous rock bottom 2½ per cent reached in 1987.

The UK remains some way off the base rate low point of 5¼ per cent touched in 1993. And to judge by the minutes published this week of the pre-Christmas monetary meeting between the chancellor, Kenneth Clarke, and the governor of the Bank *of England, Eddie George, the* latter would be hostile to any further interest rate declines so long as growth of the broad money supply is racing ahead at anything like the present 10 per cent.

But Clarke has the final say and over-caution never won a general election – as Roy Jenkins, the super-prudent Labour chancellor in 1970, could testify (although, on the other hand, Reginald Maudling's reckless dash for growth in 1964 did not win, either). At any rate, the term structure of money market rates implies a cut to 6 per cent soon.

Already, the savings sums are daunting for taxpayers. The *good* news in December's Budget statement was that the standard rate of income tax on investment income will be cut to 20 per cent from next April, but the *bad* news about the actual level of income is now emerging.

With inflation at 3.2 per cent, the 40 per cent taxpayer requires a nominal interest *rate of 5.3 per cent to achieve* a zero real return. It cannot be done without locking up money on notice, or taking a risk.

> Already, the sums for savings are looking daunting for taxpayers

Historically, this is not at all unusual. I have been burrowing into the statistical treasure chest that is the latest annual edition of the Barclays de Zoete Wedd Equity-Gilt Study. This book traces the history of investment returns on equities, gilt-edged and short-term savings (actually, Treasury bills) all the way back to 1919.

It emerges that the recent sequence of positive real interest rates on short-term investments, going back to the beginning of the 1980s, is not typical.

Even in the low-inflation 1930s, Treasury bills sometimes gave negative real returns because short-term interest rates shrivelled to a Japanese-style 0.5 per cent. And, in the 1970s, savers were wiped out by inflation pls some help from the tax man: in 1975, building society savers incurred a loss in real terms of 15 per cent - a negative interest rate, if you like.

Are we heading for another extended period of poor savings rates? The BZW study delivers a warning about demographic trends, notably the major upward shift in the proportion of over-45s in the British population, of a kind that last happened in the 1930s *and 1940s when gilt yields, for* instance, often were no more than 3 per cent.

The explanation here is that the middle-aged are the big savers in the population, and an increase in their numbers will tend to depress savings returns – at least until they retire and start drawing down on their savings. In 1995, certainly, retail savings flooded into the building societies, so that net receipts plus interest credited totalled £14.9bn – two-thirds more than the net £8.9bn which the societies managed to lend to unenthusiastic house-buyers.

Probably not too much should be made of this in the context of a global economy. There are plenty of other borrowers out there, especially deficit-ridden governments (not least that of the UK): the top dozen or so leading developed economies will, in aggregate, be selling more than $500bn net of their bonds in 1996.

Even so, gilts yield less than 8 per cent which, apart from a brief period of bond market excesses two years ago, is the lowest they have returned since the late 1960s.

Curiously, the latest round of cuts in short-term interest rates has not triggered widespread falls in bond yields. Indeed, the key US Treasury long bond yield has stalled at the 6 per cent level it reached in December.

Generally, you would reckon that cheap money would force savers to buy bonds. In other circumstances, however, a concerted global dash for growth – with the medium-term risk of inflation – can frighten bond investors.

It can be frustrating when the returns on secure savings shrink close to vanishing point. You can rationalise the problems by arguing that in risky times, when the level of financial asset markets is historically high, absolute security for your savings carries a steep opportunity cost.

Sometimes, though, that price is well worth paying.

Offshore managed funds and UK managed funds are listed in Section One

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of AUTIF §§

INITIAL CHARGE: Charges made by a unit trust manager. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the buying price of units.

BUYING PRICE: Also called offer price. The price at which units are bought by investors.

SELLING PRICE: Also called bid price. The price at which units are sold back by investors.

TREATMENT OF MANAGER'S PERIODIC CHARGE: The letter C denotes that the trust deducts all or part of the manager's periodic charge from capital, contact the manager for full details of the effect of this course of action.

EXIT CHARGES: The letter E denotes that an exit charge may be made when you sell units, contact the manager for full details.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Association of Unit Trusts and Investment Funds,
65 Kingsway,
London, WC2B 6TD.
Tel: 0171-831-0898.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual Fund Managers Ltd (1200)H
2 Bartley Way, Hook, Hants RG27 9XA 01256 768888

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Emerging Asia Acc	5½		238.90	255.30	-2.80	0.00
Emerging Asia Inc	5½		238.00	256.40	-2.80	0.00
European Acc	5½		292.10	314.20	+1.90	0.39
European Inc	5½		276.00	297.00	+1.80	0.39
Hong Kong Acc	5½		209.40	224.70	+1.10	1.30
Hong Kong Inc	5½		180.00	193.20	+0.90	1.30
Int Mngd PEP Acc	5½		76.71	82.35	-0.16	1.33
Int Mngd PEP Inc	5½		70.85	75.86	-0.15	1.33
Japan Acc	5½		116.80	124.40	-0.50	0.00
Japan Inc	5½		116.30	124.10	-0.90	0.00

Rothschild Fund Management - Contd.

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
UK Major Co's	5¼		110.85	116.68	-0.11	—
UK Smaller Co's	5¼		97.08	102.18	-0.03	—
UK Income	5¼		109.64	115.40	+0.32	—
America	5¼		128.93	139.28	-0.02	—
Japanese	5¼		55.09	57.98	-0.35	—
European	5¼		119.88	125.97	-0.37	—
Gilt	5¼		95.47	100.50	-0.07	—
Deposit	5¼		83.90	88.27	+0.01	—
Managed	5¼		106.07	111.65	+0.05	—

Royal Bank of Scotland UT Mgmt Ltd (1200)F
Capital House 2, Festival Square, Edinburgh EH3 9SU

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Balanced	6	C	122.71	131.24	+0.30	2.33
Growth	6		117.47	125.64	+0.14	2.44
High Yield	4		103.94	109.21	-0.05	6.96
Income	6		114.49	122.45	+0.07	3.22
International Growth	6		130.23	139.28	+1.30	0.00

Royal Life Fd Mgmt Ltd (1000)F
PO Box 34, Peterborough PE2 0UE.

INSURANCES

OTHER UK UNIT TRUSTS

PROPERTY UNIT TRUSTS

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

J Rothschild Assurance PLC
J Rothschild House, Dollar Street, Cirencester
Telephone: 01285 640302 Helpline: 0141-307 6600

Life Funds	Selling Price	Buying Price	+ or -	Yield Gross
Income Distribution	114.0	120.1	+0.10	-
JRA/M&G Managed	160.2	168.7	+0.10	-
JRA/Scottish Amicable Mngd	150.1	158.1	-	-
JRA/St James's Place Mngd	177.0	186.4	+0.80	-
Deposit	110.2	116.0	-	-
Far East	167.6	176.2	+0.10	-
Gilts	128.0	135.6	+0.30	-
Greater European	177.6	187.0	-	-
North American	177.6	187.2	-	-
UK Equity	168.0	189.4	-	-

Scottish Legal Life Assurance Society Ltd
95 Bothwell St, Glasgow G2 7HY 0141-222 5000

	Selling Price	Buying Price	+ or -	Yield Gross
Deposit	102.0	108.5	-	5.48
Guaranteed Equity	105.2	110.8	-	-
Index Tracker	112.7	118.7	-	-
Managed	114.1	120.2	-	-
Perpetual Tax Ex Mgd	101.1	106.5	-	-
Tax Exempt Mgd	104.8	110.4	-	-

J Rothschild Assurance PLC - Contd.

Pension Funds	Selling Price	Buying Price	+ or -	Yield Gross
JRA/M&G Managed cap	164.8	169.8	+0.20	-
JRA/M&G Managed acc	176.6	186.0	+0.20	-
JRA/Scottish Amicable Mngd cap	146.8	154.6	-	-
JRA/Scottish Amicable Mngd acc	167.6	176.5	-	-
JRA/St James's Pl Mngd cap	191.5	201.6	+0.90	-
JRA/St James's Pl Mngd Acc	218.8	230.2	+1.00	-
Deposit cap	105.6	111.2	-	-
Deposit acc	120.6	127.0	-	-
Far East cap	158.5	166.9	+0.10	-

Scottish Life Investments
19 St Andrew Square, Edinburgh 0131-225 2211

	Selling Price	Buying Price	+ or -	Yield Gross
Property	225.2	237.1	-	-
UK Equity	412.7	434.5	+2.80	-
American	314.0	330.7	+0.60	-
Pacific	395.8	416.7	+0.70	-
European	550.9	580.0	-1.30	-
International	366.3	385.7	+0.60	-
Fixed Interest	258.7	272.4	-0.60	-
Index Linked	210.8	221.7	+0.10	-
Deposit	204.3	215.1	-	-

Money Market Trust Funds

Money Market Bank Accounts

MANAGEMENT SERVICES

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

IRELAND (SIB RECOGNISED)

Guinness Flight Select Funds Plc

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

LGT Asset Management Ltd

IRELAND (REGULATED)(**)

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

Daiwa Europe Fund Managers Ireland Ltd

Dragon Korea Fund Plc

Dresdner Kleinwort Benson Int Mgt Services Ltd

Dynamic Pacific Portfolio Fund Plc

East Asia Hanson Ireland Ltd

Egerton Capital European Fund Plc

Emerging Dynamic Fund Plc

ISLE OF MAN (SIB RECOGNISED)

Ashburton Global Funds Ltd

Bank of Ireland Asset Mngmt

CMI Fund Managers

Mercury Fund Managers

Quilter Intl Mngt (IoM) Ltd

Sun Life Management

Ulster Bank Global Funds

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Credit Investment Funds - Contd.

Nikko Asia Convertible Bond Fund

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Pacific Basin Growth Fund

CMI Insurance Co Ltd

Royal Life International

Capital International

Cathay Investment Fund Limited

Chescor Indian Investment Company Ltd

The China Fund

Global Asset Management - Contd.

Magellan Emerging Mkts Mngt (Jersey) Ltd

Magnum Funds

Magus Asset Management Ltd

Malaysia Capital Fund Ltd

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Vantage Global Invest	$98.89	99.89	-0.44	-

The Vietnam Frontier Fund

Frontier Fund Management Co

NAV (Fully Paid) Dec 31	$10.10		...	-

The Vietnam Fund Limited

Lloyds Bank Fund Managers (Guernsey) Ltd

NAV Fully Paid Dec 31	$11.10		...	-

Wells Fargo U.S. IT Fund

Worldwide Limited

NAV Dec 31	$79.10		...	-

Xiphias International Investment Fd Ltd

Zanett Lombardier Ltd

NAV Dec 1	$124.73		...	-

Zweig-DiMenna International Limited

NAV Jan 31	$140.22		...	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(*) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.
Exit charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♦) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(♦) - 1401 to 1700 hours
(♦) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
h - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission
z - Previous day's price
99 - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision, xd - Ex-dividend.
‡ - Only available to charitable bodies.
⊕ - Yield column shows annualised rates of NAV increase.

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Feb 2 / US$)
(4 pm close)

EUROPE

AUSTRIA (Feb 2 / Sch)

BELGIUM/LUXEMBOURG (Feb 2 / Frs.)

DENMARK (Feb 2 / Kr)

FINLAND (Feb 2 / Mks)

FRANCE (Feb 2 / Frs.)

GERMANY (Feb 2 / Dm.)

ITALY (Feb 2 / Lire)

NETHERLANDS (Feb 2 / Fl.)

NORWAY (Feb 2 / Kroner)

SPAIN (Feb 2 / Pta.)

SWEDEN (Feb 2 / Kronor)

SWITZERLAND (Feb 2 / Frs.)

CANADA (Feb 2 / Can. $)
(4 pm close)

AFRICA

SOUTH AFRICA (Feb 2 / Rand)

PACIFIC

JAPAN (Feb 2 / Yen)

AUSTRALIA (Feb 2 / Aus$)

HONG KONG (Feb 2 / H K $)

MALAYSIA (Feb 2 / MYR)

SINGAPORE (Feb 2 / S$)

INDICES

	Feb 2	Feb 1	Jan 31	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	(u)	18032.20	18191.56	18181.66	31/1/96	8891.89	9/3/95
Australia							
All Ordinaries(1/1/80)	2293.2	2285.1	2268.5	2293.20	2/2/96	1823.30	8/3/95
All Mining(1/1/80)	1058.5	1029.8	1020.8	1058.50	2/2/96	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	385.49	384.77	385.85	395.42	3/1/95	328.50	27/10/95
Traded Index(2/1/91)	1094.81	1082.37	1086.57	1098.57	31/1/96	882.15	23/10/95
Belgium							
BEL20(1/1/91)	1704.53	1715.74	1680.23	1718.74	1/2/96	1271.88	9/3/95
Brazil							
Bovespa(29/12/83)	(u)	62894.0	51515.0	62894.00	1/2/96	21282.98	9/3/95
Canada							
Metals Minls♦(1975)	(u)	5221.66	5172.96	5286.37	23/11/95	3808.83	1/3/95
Composite♦(1975)	(u)	5011.10	4968.40	5011.10	1/2/96	3891.41	30/1/95
Portfolio§§(4/1/83)	(u)	2470.81	2451.58	2470.81	1/2/96	1953.38	30/1/95
Chile							
IGPA Gen♥(31/12/80)	(u)	5730.12	5658.21	6083.18	11/7/95	4878.89	9/3/95
Denmark							
CopenhagenSE(3/1/83)	388.06	389.12†	388.65	389.29	25/1/96	330.01	29/3/95
Finland							
HEX General(28/12/90)	1812.94	1781.62	1752.41	2332.22	14/9/95	1596.30	28/3/95
France							
SBF 250(31/12/90)	1337.73	1338.17	1336.56	1338.17	1/2/96	1164.41	13/3/95
CAC 40(31/12/87)	2022.21	2024.08	2021.03	2024.08	1/2/96	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	876.95	882.59	882.18	882.58	1/2/96	708.87	30/3/95
Commerzbank(1/12/53)	2547.40	2559.50	2559.90	2559.90	31/1/96	2018.70	30/3/95
DAX‡(30/12/87)	2452.08	2459.26	2470.14	2470.14	31/1/96	1910.95	28/3/95
Greece							
Athens SE(31/12/80)	980.63	994.40	989.45	996.30	22/1/96	787.16	16/3/95
Hong Kong							
Hang Seng(31/7/64)	11469.40	11362.80	11359.70	11469.40	2/2/96	6967.93	23/1/95
India							
BSE Sens.(1979)	3172.83	3001.42	2931.84	3932.09	2/1/95	2826.06	25/1/96
Indonesia							
Jakarta Comp (10/8/82)	587.57	581.06	578.56	587.57	2/2/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2333.29	2333.63	2334.07	2334.07	31/1/96	1812.59	23/1/95
Italy							
Banca Comm Ital(1972)	631.23	630.56	619.94	680.54	10/2/95	547.79	5/12/95
MIB General(2/1/95)	1070.0	1069.0	1051.0	1070.00	2/2/96	982.00	15/1/96
Japan							
Nikkei 225(16/5/49)	20904.03	20935.12	20812.74	20935.12	1/2/96	14485.40	3/7/95
Nikkei 300(1/10/82)	301.53	303.66	301.79	307.98	5/1/96	222.29	13/6/95
Topix(4/1/68)	1617.51	1624.52	1613.11	1682.60	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2119.19	2108.93	2101.75	2130.89	4/1/96	1445.80	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1073.18	(c)	1055.42	1089.04	5/6/95	848.67	24/1/95
Mexico							
IPC(Nov 1978)	(u)	3078.21	3034.65	3087.60	29/1/96	1447.82	27/2/95
Netherland							
CBS TRtnGen(End 83)	558.2	556.6	555.7	558.20	2/2/96	422.90	23/3/95
CBS All Shr(End 83)	336.0	337.2	336.5	338.80	2/2/96	256.20	23/3/95
New Zealand							
Cap 40(1/7/86)	2102.50	2111.47	2114.66	2288.02	20/10/95	1881.43	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1282.44	1277.30	1270.45	1316.20	8/1/96	1030.89	10/3/95
Philippines							
Manila Comp(2/1/85)	2927.26	2900.83	2885.76	3098.12	10/7/95	2100.48	20/11/95
Portugal							
BTA(1977)	2656.5	2643.8	2630.7	2811.80	9/1/95	2412.80	23/11/95
Singapore							
SES All-S'pore(2/4/75)	683.36	680.98	697.97	683.68	2/2/96	472.88	23/1/95
South Africa							
JSE Gold(28/9/78)	1982.4♥	1748.3	1698.1	2023.80	2/1/95	1250.20	30/10/95
JSE Ind.(28/9/78)	8805.8♥	8619.4	8539.0	8730.30	25/1/96	[illegible]	31/1/95
South Korea							
KoreaCmpEx**(4/1/80)	881.52	885.13	878.82	1027.37	2/1/95	842.72	20/1/95
Spain							
Madrid SE(30/12/85)	330.57	331.88	330.34	331.88	1/2/96	264.80	23/3/95
Sweden							
AffarsvardnGen(1/2/37)	1795.6	1779.4	1765.7	1822.10	19/9/95	[illegible]	[illegible]
Switzerland							
Swiss Bk Ind(31/12/58)	1555.30	1554.36	1537.57	1578.80	4/1/96	1174.83	13/3/95
SBC General(1/4/87)	1141.40	1143.33	1131.39	1165.58	4/1/96	870.88	13/3/95
Taiwan							
Weighted Pr.**(30/6/66)	4791.32	4775.28	4763.40	7051.49	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1412.61	[illegible]	1410.33	1472.04	10/7/95	1135.60	10/3/95
Turkey							
Istanbul Comp.Lim 1986)	50811.9	51437.3	49489.5	54853.80	2/4/95	28944.30	23/1/95
WORLD							
MS Capital Int$(1/1/70)	750.0*	748.5	746.5	750.00	2/2/96	596.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1588.84	1570.74	1559.54	1570.74	1/2/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1410.12	1407.25	1405.37	1410.12	2/2/96	1117.34	9/3/95
JCapalDrgns(31/12/88)	(u)	374.53	373.56	374.53	1/2/96	282.07	23/1/95
MS Emgs Emrg(7/1/92)	161.76	159.29	158.80	161.76	2/2/96	117.15	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Feb	2022.0	2032.0	-1.0	2032.0	2015.0	11,891	34,405
Mar	2028.5	2040.0	-0.5	2037.0	2022.0	1,524	24,799
■ DAX							
Mar	2480.0	2469.0	-13.0	2480.0	2458.5	21,455	-
Jun	2493.3	2481.0	-11.0	2493.0	2474.0	834	-
■ OMX							
Feb	1400.00	1402.50	+11.00	1406.00	1395.00	7,159	13,931
Mar	1403.75	1412.00	+15.50	1412.00	1403.75	450	650
■ SOFFEX							
Jan	3275.0	3272.0	-11.0	3280.0	3261.0	5,920	15,682
Feb	3283.0	3277.7	+1.6	3282.0	3276.8	45	1,202

** Sat Jan 27: Taiwan Weighted Price 4861.53; Korea Comp Ex 864.77. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 2 - 2459.81 -12.72

US INDICES

Dow Jones	Feb 1	Jan 31	Jan 30	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5405.06	5395.30	5381.21	5405.06 (1/2/96)	3832.08 (30/1/95)	5405.06 (1/2/96)	41.22 (2/7/32)
Home Bonds	105.80	105.75	105.74	105.80 (22/1/96)	93.63 (3/1/95)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1943.66	1946.74	1989.67	2082.11 (5/12/95)	1473.19 (3/1/95)	2082.11 (5/12/95)	12.32 (8/7/32)
Utilities	230.20	229.86	228.97	230.55 (31/1/96)	183.03 (3/1/95)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5438.29 (5433.24) Low 5335.82 (5314.38) (Theoretical)♦
Day's high 5405.06 (5408.87) Low 5370.37 (5350.50) (Actual)♦

Standard and Poors	Feb 1	Jan 31	Jan 30	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	638.46	636.02	630.15	638.46 (1/2/96)	459.11 (3/1/95)	638.46 (1/2/96)	4.40 (1/6/32)
Industrials‡	750.22	746.02	738.08	750.22 (1/2/96)	546.28 (3/1/95)	750.22 (1/2/96)	3.62 (21/6/32)
Financial	64.47	65.07	63.77	65.07 (31/1/96)	41.64 (3/1/95)	65.07 (31/1/96)	8.64 (1/10/74)
NYSE Comp.	341.23	340.93	337.28	341.23 (1/2/96)	250.73 (3/1/95)	341.23 (1/2/96)	4.46 (28/4/42)
Amex Mkt Val	555.68	554.19	550.86	555.68 (1/2/96)	433.12 (6/1/95)	555.68 (1/2/96)	29.31 (9/12/72)
NASDAQ Comp	1059.45	1059.79	1051.30	1059.79 (4/12/95)	743.58 (3/1/95)	1059.79 (4/12/95)	54.87 (31/10/72)

■ RATIOS

	Jan 26	Jan 19	Jan 12	Year ago
Dow Jones Ind. Div. Yield	2.24	2.28	2.33	2.79
	Jan 31	Jan 24	Jan 17	Year ago
S & P Ind. Div. yield	1.91	1.95	2.01	2.42
S & P Ind. P/E ratio	19.43	18.96	18.42	18.96

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
WalMart	12,007,300	21⅛	+1⅛
Micron Tech	9,071,200	35¼	+1
Hasbro	8,076,100	15⅜	-⅞
Kmart	6,788,000	6⅞	+⅜
Barrick Gld	5,461,000	30⅞	+1⅞
Ford Motor	5,217,400	30⅞	+⅝
LSI Logic	4,494,500	32⅝	+4
Real Estat Inc	4,083,300	17	+1
IBM	4,071,600	109	+⅞
Found Hth	3,816,800	35	-4⅝

■ TRADING ACTIVITY

● Volume (millions)

	Feb 1	Jan 31	Jan 30
New York SE	458.736	472.358	404.327
Amex	30.679	28.405	28.531
NASDAQ	594.923	574.269	554.064
NYSE			
Issues Traded	3,097	3,108	3,103
Rises	1,302	1,598	1,656
Falls	986	807	772
Unchanged	719	703	676
New Highs	263	303	276
New Lows	11	20	22

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Mar	639.50	640.10	+0.45	640.20	638.55	68,598	189,075
Jun	645.00	645.30	+0.05	645.65	645.00	2,148	8,880

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Mar	20950.0	21020.0	+30.0	21140.0	20910.0	20,400	155,291
Jun	20980.0	20850.0	-50.0	21110.0	20910.0	929	21,338

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are usually last traded prices. Highs/Lows are based on data from 1995.

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WORLD STOCK MARKETS

AMERICA

Dow eases after payroll dip surprise

Wall Street

Leading US stocks slipped in early trading yesterday as investors pondered the implications of the monthly unemployment report, *writes Richard Tomkins in New York.*

By 1pm the Dow Jones Industrial Average was down 2.17 at 5,402.89, marking the end of a week-long stretch of record highs.

In contrast, gains in technology stocks pushed the Nasdaq composite up 5.47 *to 1,074.93.* The American Stock Exchange composite was 0.03 higher at 555.71 and the Standard & Poor's 500 rose 0.07 at 638.53. Volume on the NYSE at midday was 240.80m.

The unemployment report initially surprised analysts by showing that payrolls had dipped for the first time in nearly a year, suggesting a weakening economy. However, a reappraisal was prompted by suggestions that the figures could have been distorted by the winter storm that brought *much of the north-eastern US* economy to a standstill in January.

Stocks were also given a boost by merger news as Baxter, the health care group, announced its intention to acquire National Medical Care from W.R. Grace, the beleaguered US chemicals conglomerate. The offer, said to be worth $3.8bn, represented an unusual attempt by one company to launch a hostile bid for part of another. Baxter fell $2⅝ to $42¼ while W.R. Grace shot up $6½ to $68⅝.

The main loser of the morning was Hasbro after the rival *toy company*, Mattel, abandoned its unwelcome overtures. Hasbro tumbled $6⅝ to $34 while Mattel put on $1¼ to $33⅝. Among other active stocks, Kmart rose $⅛ to $7⅝.

Latin America

MEXICO CITY saw substantial gains by mining companies lead the market higher by mid-session. The IPC index was up 8.35 at 3,086.56. *Volume* was high at 69m shares.

Among the mining stocks, San Luis was 4.2 per cent firmer.

SAO PAULO was also stronger by mid-morning, with the Bovespa index up 1,102.92 or 2 per cent at 53,797. Analysts said that investors had been encouraged by a cut in interest rates, and news that Vale do Rio Doce, a miner, had discovered a new gold deposit.

Canada

Toronto continued to soar in midday trade, led by surging precious metals stocks as gold futures tested new highs. The TSE-300 composite index was *32.42 higher by noon at 5,043.50* in very heavy volume of 87.7m shares.

A number of gold stocks hit 52 week highs. Barrick Gold *rose C$¼ to C$43 after an early* C$43⅜. Kinross Gold was C$⅜ higher at C$14, after C$14⅜, and TVX Gold was flat at C$14 after an early C$14⅜.

Northern Telecom jumped C$1¼ to C$63¼ after winning a major equipment contract from Sprint.

SOUTH AFRICA

Gold shares closed at their highest level in 13 months; the sector was supported by a rise in the price of bullion worldwide to around $417 an ounce. The gold index rallied 154.1 to 1,902.4, bringing its gain on the week to 9.4 per cent. Since the start of the year the index has risen by more than 40 per cent.

Analysts forecast that the price of bullion could consolidate at the $425 to $430 an ounce level over the next two weeks. The overall index rose 95.2 to 6,993.9, while industrials index shed 12.6 to 8,608.8.

Among gold stocks Anglos surged R8 to R128, Gold Fields climbed R9 to R142, Dries R5.25 to R60.25 and Vaal Reefs R31 to R419.

Big winners, and losers in Euroturnover stakes

Currencies, politics, oil and investment fashions were all important influences, writes **William Cochrane**

Turnover in Europe's top twelve equity markets was *volatile last year.* While share prices had a good 1995, the FT/S & P Actuaries Europe index rising by 12.8 per cent in local currency terms – or by 18.9 per cent in terms of the weaker dollar – overall *business was only 5.8 per cent* ahead of 1994.

The second six months of 1995 produced a much better showing, says Mr James Cornish, European strategist at NatWest Securities, which produces the figures; July-December showed a rise of 22.2 per cent after a disappointing first half. This coincided with a recovery in the dollar, DM1.55 *at the beginning of the year,* DM1.37 on August 1, and DM1.44 by the end.

There were big winners, and big losers. Switzerland, the *Netherlands, Finland and Norway* showed business gains of 12.6 per cent, 28.3, 21.1 and 29.1 per cent respectively; Italy lost 26.2 per cent, Germany 12.1 per *cent, and Denmark 11.9 per* cent on the year.

Germany's fall, and Switzerland's rise were opposite sides of the same coin – the D-Mark.

EUROPEAN TURNOVER FIGURES

Monthly total in local currencies (bn)

Bourse	Jan '95	Feb '95	Mar '95	Apr '95	May '95	Jun '95	Jul '95	Aug '95	Sep '95	Oct '95	Nov '95	Dec '95
Belgium BFr bn	53.868	57.27	80.056	64.092	79.738	78.922	70.154	70.698	92.218	96.46	80.044	76.488
Denmark DKr bn	22.746	22.09	20.8	18.092	25.488	28	22.92	27.296	25.198	35.3312	30.125	
Finland Fm bn	11.1584	14.03	10.922	10.68	11.846	15.884	14.226	14.6	17.2974	17.442	14.148	15.03
France FFr bn	141.324	152.248	186.232	141.794	210.874	204.656	160.372	141.906	184.208	104.395	181.12	186.286
Germany DM bn	114.841	125.64	187.296	95.702	135.191	158.326	138.802	138.978	164.807	123.96	136.2013	124.099
Italy L bn	86215.2	54808.8	50617.2	33064	60464	38941.5	45840.92	45191.5	49023.5	45561.2	35520	38644.8
Netherlands Fl bn	27	27.3	32	24.5	32.9	31.5	37.8	32.68	31.5	41.3	41.2	33.8
Norway NKr bn	24.186	23.462	18.842	19.854	26.716	30.718	30.8	33.408	28.946	25.582	28.905	29.98
Spain Pta bn	1066.128	1082.366	1104.504	1213.608	1210.236	933.741	1111.192	998.419	893.376	1329.54	1068.526	1203.82
Sweden SKr bn	124.04	94.1812	115.6	80.8	113.2	92.4	92.2	123.84	137.2	136.2	111.2	109.8
Switz SFr bn	20.3	20.362	21.95	15.7	31.7	31.024	27.075	29.56	36.676	35.588	38.245	32.2
UK £ bn	49.3781	47.5173	82.5246	42.9054	48.3336	55.3065	51.0993	52.953	60.5066	60.1845	52.6027	53.0194

Volumes represent purchases and sales. Swiss data estimated. Italian data adjusted to include off-market trading. Some figures may be revised. Source: NatWest Securities

The weakness of the dollar against the D-Mark weighed heavily on the cyclical stocks *which form the core of the German corporate economy,* affecting their selling prices in export markets, and the profit margins they could earn.

As the D-Mark rose and rose, earnings forecasts for German companies were pared back, and German domestic investors sought hard currency equities *elsewhere.* They were especially attracted to Switzerland – which actually had a harder currency than the D-Mark last year, but where the less cyclically oriented corporate economy seemed to offer a better prospect of earnings growth.

In the Netherlands and in Norway, a rising oil price figured. Both countries have large oil stocks, respectively *Royal Dutch and Norsk Hydro.* Royal Dutch was a special case as it was re-rated last year, attracting more than its fair share of investors in a sector which was rising on the commodity price action.

Amsterdam saw a quantum leap in October, when turnover jumped 38.5 per cent. At that time, the exchange seemed to be holding on to a gain in market share which followed the reorganisation of the *stock* exchange at the end of September, designed to encourage big block trades. It remains to be seen whether the retreat in *December was simply due to* the Christmas holidays, and the early impact of severe weather conditions this winter.

Italy's decline followed a gain of nearly 90 per cent in 1994, a year in which Italy, more often than not, took third place in the European turnover league, displacing France as it followed Germany, and the UK.

International investors were *enchanted by Mr Silvio Berlusconi and his Forza Italia party in the spring of 1994,* and lived to regret it within nine months: Mr Cornish describes this as a "short, intense love affair, followed by prolonged disappointment".

Volume in Italy was at its highest in January, as the equity market rose 4.4 per cent, against a 4.7 per cent fall in Paris. In parallel, Mr Lamberto Dini, soon to be under *attack, was establishing his* position as a technocrat prime minister in succession to Mr Berlusconi and foreign brokers were pushing their clients into the Milan market.

Nordic countries featured for the first time in the NatWest turnover rankings last year and the smallest of them, Finland, produced the biggest individual gain in February. This, a 25.7 per cent increase, was registered on domestically-led selling in parallel with a 4.1 per cent fall in the Hex index.

By June, however, Finnish business was galloping ahead again with a gain of 34.7 per cent on the month after a flood of international buying, mainly of the telecoms group Nokia, and of the export sector, was led by US institutions. The *international effect expressed* itself most tellingly on Seaq International, London's screen-based market in international stocks, where June business in Finnish stocks was up by 149.7 per cent from the average of the previous three months.

Overall, last year ended with an 8.5 per cent turnover fall in December; but there were roughly 10 per cent fewer trading days compared *with* November, because of the Christmas holidays.

Germany was weak again that month after a volatile year which, at its extreme, saw a 49 per cent volume gain in March, followed by a 50 per cent loss of business in April. These fluctuations reflected investors' D-Mark/dollar rate fears.

This year, these fears have turned to enthusiasm about recovery projections for the dollar, and there seems to be every hope that German turnover will make an ebullient start to 1996.

EUROPE

US-influenced revival as Nordic bourses outperform

Nordic stocks outperformed the rest of Europe, STOCKHOLM and HELSINKI extending their revival of stocks which had *suffered in the final* quarter of 1995. Ericsson B and Nokia A rose by SKr5 to SKr148, and by FM5.50 to FM179 after the overnight rebound in US technology shares; the respective forestry *sectors,* also US-influenced, showed gains of 3.6, and 1.8 per cent. The Affärsvarlden General index closed 16.2 higher at 1,795.6, 4.6 per cent up on the week; *and the Hex index ended* 6.4 per cent better on the week at 1,812.94, up 31.32.

OSLO featured a 2.2 per cent gain in its shipping stocks as the total index rose 4.78 to 755.71. But COPENHAGEN's *shipping sector,* a European leader at this stage last week, eased slightly on the day and a drop in banks left the KFX index 0.41 down at 112.44, a fraction easier on the week. Den Danske Bank fell DKr12.80, or 3.2 per cent to DKr390.

FRANKFURT, drifting on a lower dollar and a weaker start on Wall Street, settled for a 12.72 fall on the day and a fractional gain on the week, the Dax index closing Ibis trade at 2,459.81.

Turnover fell again, from DM11.35bn to DM9.6bn.

Metallgesellschaft rose 49 pfg to DM35.74 ahead of Monday's 1994-95 figures; GEA, the technology company, ran second to Siemens in a Börse Online survey *of analyst recommendations* for 1996: it gained DM17, or 3.6 per cent at DM495 as Siemens, an outstanding performer last year, rose DM1.55 to DM842.75.

PARIS was rangebound but the CAC-40 index, *down 1.88 to* 2,022.21 on the day, was up 3 per cent on the week. Turnover was just under FFr4bn.

Bouygues, the lossmaking construction group, picked up some of its midweek fall with a *gain of FFr8 to FFr534.* James *Capel said that it was maintaining* a buy recommendation. "Latent losses have been completely wiped off the balance sheet," the broker said, "and thus future earnings are no longer hostage to potential losses on property and its telecom venture."

LVMH, which said that it had raised its stake in Loewe of Spain from 23 to 70 per cent, *made FFr13 to FFr1,144.*

ZURICH edged lower in quiet trade and the SMI index lost 9.9 to 3,270, still 2.5 per cent higher over the week. Financials bore the brunt of the selling with UBS down SFr12 at SFr1,270 and Swiss Re SFr29 weaker at SFr1,226.

SMH, the watchmaker, jumped SFr17 to SFr727 as investors stocked up ahead of annual results which last year came in mid-February. The shares had drifted back since *last September,* which saw the end of a five month bull run.

MILAN paused as the prime minister-designate, Mr Antonio Maccanico, began sounding out the political parties in his effort to form a new government. The Comit index rose 0.78 to 631.33, taking the week's rise to 4.9 per cent.

Fiat recouped L45 to L5,277 after the slide that followed *Wednesday's results. Ifil, the* industrial holding company controlled by the Agnelli family jumped L389 to L5,436 but most analysts were sceptical about rumours of asset sales.

AMSTERDAM, very much in weekend mood, saw the AEX index gain a scant 0.85 to 504.59, barely changed on the week. There was demand for cyclicals, Hoogovens rising Fl 2.20 to Fl 61.50.

ISTANBUL turned sour after the failure of negotiations for the formation of a centre-right coalition, and the composite index dropped 525.39 or 1 per cent to 50,911.93, 9 per cent higher on the week after a morning low of 49,237.

WARSAW recovered all of *Thursday's loss and the Wig* index breached the 10,500 level for the first time since June 1994, with a gain of 2.2 per cent to 10,501.6. Turnover rose 9.5 *per cent to 184m zlotys.* Elektrim, the industrial and trading conglomerate, made 9.5 per cent to 16.1 zlotys after the consortium it leads won a licence to provide a cellular telephone system.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

Feb 2 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1569.17	1568.17	1567.11	1567.65	1567.48	1565.98	1566.39	1568.64
FT-SE Eurotrack 200	1671.19	1671.32	1670.80	1671.83	1674.06	1674.13	1675.07	1675.59

	Feb 1	Jan 31	Jan 30	Jan 29	Jan 26
FT-SE Eurotrack 100	1570.74	1559.54	1549.40	1539.25	1536.49
FT-SE Eurotrack 200	1670.62	1662.09	1656.45	1654.61	1644.06

Base 1000 (26/10/90); High/day: 100 - 1569.51; 200 - 1677.14 Low/day: 100 - 1565.92 200 - 1669.51 † Partial

ASIA PACIFIC

Nikkei retreats as Bombay soars 5.7%

Tokyo

Shares retreated for the first time in four trading days as heavy selling by domestic institutions and brokerage dealers offset buying by overseas investors, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index lost 31.09 to 20,904.08, up 1.2 per cent on the week, after moving between 20,874.23 and 21,068.67.

Volume was 770m shares against 784.2m. The Topix index of all first section stocks *fell 7.01 to 1,617.51,* and the Nikkei 300 lost 2.13 to 301.53. Gainers led losers by 583 to 492 with 154 issues unchanged.

In London, the ISE/Nikkei 50 *index down 0.05 to 1,413.13*

Overseas investors bought large capital cyclicals, including steels and shipbuilders, while mining stocks were supported by firm gold prices in overnight New York trade. *Reports* that banks were selling brokerage shares to raise profits prompted a sell-off of in that sector, and Nomura Securities eased Y10 to Y2,320.

Banks were lower over uncertainty about the housing loan bailout: Fuji Bank fell Y80 to Y2,370 and Sanwa Bank declined Y80 to Y2,000.

With gold topping $410 per ounce in New York, mining stocks were actively bought. Sumitomo Metal Mining gained Y30 to Y1,050 and Mitsui Mining and Smelting Y12 to Y461.

Japan Tobacco jumped *Y73,000 to Y980,000 on reports* of its research into Aids drugs, while Takara Shuzo, the shochu white spirits maker, gained Y50 to Y1,370 on reports of new gene therapy technology.

In Osaka, the OSE average rose 100.31 to 22,550.36.

Roundup

Further heavy short covering helped BOMBAY to soar 5.7 per cent, with strong demand also seen from foreign investors, prepared to overlook the rupee which *fell to another* all time low against the dollar. The BSE-30 index rose 171.41 to 3172.83 for a 12.3 per cent rise on the week.

Reliance Industies leapt Rs20.75 to Rs204.25.

BANGKOK finished at a six-month high as domestic investors appeared to ignore worries about a rise in the inflation rate.

The SET index finished 13.01 higher at 1,412.61, for a gain on the week of 2.5 per cent.

In the financial sector CMIC Finance rose Bt4 to Bt101 and was the most active share with Bt465m ahead of announcing *after the close that it was* entering a co-operation agreement with Merrill Lynch, the US investment bank.

HONG KONG pressed ahead *as* buyers targeted recent underperformers and the Hang Seng index jumped 106.60 to a two year high of 11,469.40. Turnover climbed to HK$9.6bn, and the market gained 3.2 per cent over the week.

HK Telecom jumped 75 cents to HK$15.65 on continued buying by overseas funds and short covering followinmg recent warrant issues.

SINGAPORE was pulled higher by the relentless upward surge in property stocks, benefiting from expectations of lower interest rates.

The Straits Times Industrials index rose 15.92 to a high for the year of 2,468.17, up 0.7 per cent on the week, as the property sub index picked up 26.66 to 786.58.

KUALA LUMPUR saw a sharp rebound in blue-chips which helped to push prices 1.7 per cent higher, and analysts forecast that the market would remain upbeat due to current high liquidity. The composite index picked up 17.76 to *1,073.18, up 2.1 per cent on the* week, as heavyweight stocks rebounded after their late fall on Wednesday, which was linked to the expiry of January index futures.

MANILA was supported by steady foreign buying of blue chips, helped by a strong overnight rise in PLDT on Wall Street. The composite index gained 26.43 to 2,927.26, up 1.2 per cent on the week.

SYDNEY made a reasonable gain as a sharp rise in gold stocks offset a negative performance in the industrial sector. The All Ordinaries index rose 8.1 to 2,293.2, for a week's rise of 1.7 per cent.

Dealers said the price of bullion was the day's main feature as it broke through the $410 an ounce level, triggering a 5.3 per cent gain in the gold shares sub-index.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY FEBRUARY 1 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY JANUARY 31 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	196.66	0.4	192.60	133.08	152.60	174.85	0.0	3.83	195.80	192.11	132.32	151.46	174.84	196.55	157.95	161.45
Austria (28)	186.19	-0.8	182.44	126.07	144.55	144.37	-0.5	1.50	187.71	184.18	126.86	145.20	145.01	199.28	167.46	173.60
Belgium (34)	215.81	0.6	211.46	146.12	167.54	183.34	0.9	3.20	214.48	210.44	144.95	165.91	161.80	215.81	186.66	187.82
Brazil (28)	165.89	2.8	162.56	112.32	128.79	298.70	2.8	1.48	161.34	158.30	109.04	124.80	290.48	165.89	86.08	161.18
Canada (101)	156.57	0.7	153.41	106.01	121.55	155.97	0.6	2.40	155.49	152.56	105.08	120.28	154.92	156.57	122.88	122.85
Denmark (33)	298.95	-0.2	292.92	202.41	232.09	234.79	0.0	1.39	299.66	294.04	202.53	231.62	234.09	302.74	252.41	257.31
Finland (24)	181.81	-0.4	178.15	123.10	141.15	174.13	-0.1	1.83	182.48	179.06	123.33	141.17	174.40	276.11	171.13	188.05
France (99)	186.11	-0.1	182.36	126.01	144.49	149.55	0.2	3.04	186.35	182.84	125.84	144.15	149.31	191.17	160.40	160.94
Germany (60)	170.28	-0.6	166.84	115.29	132.19	132.19	-0.2	1.82	171.28	168.06	115.76	132.49	132.49	171.28	140.86	140.68
Hong Kong (59)	442.50	0.3	433.57	299.61	343.53	439.23	0.3	3.23	441.31	433.00	298.24	341.37	438.08	442.50	293.16	293.18
Ireland (16)	257.84	0.1	252.64	174.56	200.17	232.04	0.1	3.31	257.57	252.72	174.07	199.24	231.89	262.70	205.44	206.08
Italy (59)	79.23	2.4	77.63	53.64	61.51	93.45	1.5	1.57	77.37	75.91	52.29	59.86	92.10	82.71	65.45	80.72
Japan (482)	153.02	0.5	149.94	103.61	118.80	103.61	0.7	0.74	152.26	149.39	102.90	117.78	102.90	164.82	136.95	147.45
Malaysia (107)	510.19	0.1	499.90	345.44	396.08	502.43	0.0	1.66	509.55	499.96	344.37	394.15	502.43	561.96	419.47	419.62
Mexico (18)	1205.58	1.6	1181.29	816.28	935.95	9767.29	1.4	1.42	1186.37	1164.03	801.77	917.70	9637.54	1237.14	847.81	1087.81
Netherland (19)	272.87	-0.2	267.46	184.82	211.85	208.28	0.1	3.13	273.52	268.37	184.85	211.58	207.97	280.49	216.81	218.47
New Zealand (14)	80.61	0.1	78.98	54.58	62.58	83.38	-0.3	4.59	80.50	78.99	54.41	62.27	85.65	85.49	72.27	73.09
Norway (33)	227.60	0.6	223.02	154.11	176.70	201.32	0.7	2.06	226.19	221.93	152.86	174.97	199.96	243.79	202.76	215.67
Singapore (44)	451.20	0.3	442.10	305.50	350.29	295.19	0.4	1.38	449.62	441.15	303.86	347.80	294.09	451.20	340.48	340.48
South Africa (45)	429.46	0.4	420.80	290.78	333.41	342.73	0.4	3.43	427.75	419.69	289.08	330.85	341.23	436.21	290.68	290.68
Spain (37)	165.58	0.2	162.26	112.12	128.56	157.89	0.5	3.85	166.25	163.13	111.66	127.62	156.95	166.81	124.10	130.87
Sweden (47)	306.80	0.5	300.61	207.73	238.19	316.27	0.7	1.90	305.31	299.56	206.33	236.17	314.01	324.31	232.23	239.28
Switzerland (39)	223.52	0.4	219.01	151.34	173.53	169.73	1.1	1.58	222.50	218.38	150.42	172.17	168.96	239.55	160.45	183.46
Thailand (46)	190.86	-0.4	187.01	129.23	148.18	187.75	-0.4	2.14	191.61	188.00	129.49	148.22	188.44	191.61	130.15	138.74
United Kingdom (205)	228.63	0.0	224.02	154.80	177.49	224.02	-0.1	4.15	228.62	224.31	154.50	176.84	224.31	232.23	182.74	193.50
USA (632)	260.16	0.4	254.91	176.15	201.97	260.16	0.4	2.19	259.21	254.33	175.16	200.51	259.21	260.16	182.80	192.80
Americas (779)	237.79	0.4	232.99	161.00	184.60	199.87	0.4	2.19	236.81	232.35	160.04	183.18	199.08	237.78	177.43	177.43
Europe (731)	201.97	0.1	197.80	136.75	156.80	177.08	0.2	2.99	201.80	198.00	136.36	156.10	176.72	204.32	166.59	166.59
Nordic (137)	273.28	0.2	267.77	185.04	212.18	242.42	0.5	1.82	272.59	267.46	184.22	210.86	241.28	295.02	222.22	230.37
Pacific Basin (833)	166.12	0.5	162.77	112.48	128.97	115.43	0.9	1.16	165.37	162.28	111.76	127.92	114.77	171.57	145.95	153.87
Euro-Pacific (1564)	180.95	0.9	177.30	122.52	140.48	138.85	0.4	2.01	180.44	177.05	121.95	139.58	138.29	183.39	158.37	159.79
North America (735)	253.74	0.4	248.62	171.80	196.99	253.13	0.4	2.20	252.78	248.02	170.83	195.54	252.18	253.74	188.46	186.45
Europe Ex. UK (526)	182.84	0.1	179.16	123.80	141.95	150.58	0.4	2.35	182.60	179.17	123.41	141.25	149.99	184.61	151.42	151.44
Pacific Ex. Japan (351)	287.54	0.2	281.74	194.69	223.23	253.25	0.1	2.91	286.81	281.41	193.84	221.88	252.85	287.54	217.23	217.23
World Ex. US (1756)	182.87	0.3	179.19	123.82	141.97	143.23	0.4	2.04	182.29	178.85	123.19	141.01	142.62	164.71	156.72	160.21
World Ex. UK (2183)	204.39	0.4	200.27	138.39	158.68	172.19	0.5	1.91	203.69	199.80	137.62	157.52	171.41	204.39	166.82	167.58
World Ex. Japan (1906)	236.36	0.3	231.62	160.05	183.52	223.63	0.5	2.52	235.70	231.26	159.29	182.32	222.82	236.38	183.57	183.57
The World Index (2388)	206.57	0.3	202.41	139.87	160.37	176.90	0.4	2.11	205.87	202.00	139.13	159.25	176.19	206.57	169.20	169.87

Latest prices were unavailable for this edition. Market closed 1/2/96: Malaysia.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls			Puts			Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Underlying security price. Premiums shown are based on settlement prices. February 2 Total contracts, Equity and Index options: 35,166 Calls: 18,296 Puts: 16,870

FT GOLD MINES INDEX

	Feb 1	% chg on day	Jan 31	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (35)	2385.78	+3.9	2295.74	1673.81	1.42	–	2385.78	1698.36
■ Regional Indices								
Africa (16)	3216.36	+2.5	3138.73	2577.80	2.82	36.56	3222.22	2272.74
Australasia (7)	2741.64	+0.4	2731.08	1943.81	2.11	42.17	2780.86	1788.20
North America (12)	2112.62	+5.2	2008.03	1368.28	0.84	63.33	2112.62	1386.38

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	1	60	9	98	192	60
Other Fixed Interest	0	11	3	15	36	20
Mineral Extraction	106	42	74	391	347	378
General Manufacturers	175	98	383	767	576	1,950
Consumer Goods	62	47	180	273	271	655
Services	118	82	311	588	459	1,522
Utilities	27	7	12	102	56	72
Financials	78	109	213	449	503	1,050
Investment Trusts	156	96	387	759	320	1,894
Others	44	37	47	380	172	221
Totals	795	529	1,549	3,680	2,931	7,820

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Jan 22	Expiry	April 18
Last Dealings	Feb 2	Settlement	April 25

Calls: Acorn Comp, Alphameric, Betterware, Cortecs, CrestaCare, Glencar Expl, Media Business, Ovoca, Stanford Rook, UniChem. Puts: Brit Biotech, Eurotunnel.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
–	F.P.	6.28	8½	5¾	†Ballynatray	8		–	–	–	–
120	F.P.	84.0	125	115	Century Inns	120		–	–	–	–
–	F.P.	14.3	[illegible]	72	†Dmatek	78	+2	–	–	–	–
60	F.P.	35.4	68	65	MediaKey	65		Lv0.96	–	1.8	–
–	F.P.	0.13	8	[illegible]	†Nth Pstm Wts	8		–	–	–	–
–	F.P.	1.13	105	100	†Revelation P'dilly	105		–	–	–	–
54	F.P.	3.21	60	53	†Self Sealing Syst	55	+2	–	–	–	–
–	F.P.	0.97	8	6	†TokyoPharma Wts	8		–	–	–	–
–	F.P.	6.00	205	125	†Viewinn	200		–	–	–	–

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1995/96 High	Low	Stock	Closing price p	+or-
435	Nil	13/2	91pm	48pm	Berkeley Group	91pm	+5
28	Nil	27/2	1¼pm	½pm	Beco Hldgs	½pm	
235	Nil	13/3	109pm	55pm	Oxford Molecular	109pm	+5
14	Nil	29/2	¾pm	¾pm	†Western Selection	¾pm	

pm premium.

FINANCIAL TIMES EQUITY INDICES

	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Yr ago	*High	*Low
Ordinary Share	2784.8	2762.8	2768.4	2758.0	2759.4	2319.8	2788.2	2238.3
Ord. div. yield	3.76	3.79	3.79	3.81	3.80	4.51	4.73	3.76
P/E ratio net	17.20	17.08	17.10	17.00	16.67	17.90	21.33	15.35
P/E ratio nil	16.98	16.86	16.87	16.78	16.46	16.87	22.21	15.17

Ordinary Share Index since compilation: high 2788.2 18/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2755.0	2758.5	2760.9	2764.4	2767.8	2773.5	2780.4	2780.6	2784.4	2785.0	2757.6

	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Yr ago
SEAQ bargains	33,098	32,442	33,606	32,879	33,972	21,318
Equity turnover (£m)†	-	1628.8	2438.7	2027.3	1463.5	2276.8
Equity bargains†	-	34,841	39,548	37,886	40,315	31,175
Shares traded (ml)†	-	619.5	848.8	830.0	593.6	779.3

†Excluding intra-market business and overseas turnover.

	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Yr ago	*High	*Low
FT-SE AIM	1054.62	1049.93	1048.88	1041.17	1053.58		1054.62	1000.0

*For 1995/96.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be *reproduced without permission.*

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ɸ Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £126⅛

Exchequer 10½% Stk 2005 - £120½ (29Ja96)

Guaranteed Export Finance Corp PLC 12⅞% Gtd Ln Stk 2002(Reg) - £128⅞ (30Ja96)

Corporation and County Stocks

UK Public Boards

Foreign Stocks, Bonds, etc- (coupons payable in London)

Rank Organisation PLC 8⅝% Bds 2000 (Br £ Var) - £103.45 (31Ja96)

Redland Capital PLC 7¼% Cnv Bds 2002(Br£1000&10000) - £86 (31Ja96)

Robert Fleming Intl Finance Ld 9¼% Perp Subord Gtd Nts (Br £ Var) - £88¼

Rothschilds Continuation Fin(C.I.)Ld9% Perp Subord Gtd Nts (Br£Various) - £84½ (31Ja96)

Royal Bank of Scotland PLC 9½% Undated

PCO Finance Ld 8% Cnv Bds 2005

Pearson PLC 10½% Bds

Prudential Corporation PLC 7⅛% Bds (31Ja96)

Prudential Finance BV 8¼% Gtd Bds 2001 - £111¼ (29Ja96)

Prudential Finance BV 9⅛% Gtd Bds 2007 (Br£5000&100000) - £107¼

RMC Capital Ld 8¾% Cnv Cap Bds 2006 (Br

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Ameritech Corp Shs of Com Stk $1 - $59.13 (30Ja96)

Aminex PLC Ord Ir£0.05 - 52 2 ½ 3

Andrews Sykes Group PLC Cnv Prf 50p - 68¼ 9

Anglian Water PLC 5⅜% Index-Linked Ln Stk 2008(5.475%) - £134 ¼

Anglovaal Ld N Ord R0.0001 - £164.8ɸ

Arcolectric(Hldgs) PLC Ord 5p - 150 (31Ja96)

Armour Trust PLC 10½% Uns Ln Stk 91/96 - £100 (30Ja96)

Austin Reed Group PLC 8% Cum Prf £1 - 75 (26Ja96)

FT-SE ACTUARIES INDICES

The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

The FT-SE Actuaries Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

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Constituent lists and additional information on all the FT-SE International index products will be available from the above address.

Investment Trusts

Lazard Select Investment Trust Ld Ptg Red Prf 0.1p U.K. Liquid Assets Fund - £10 (26Ja96)

Lazard Select Investment Trust Ld Ptg Red Prf 0.1p Japan Index Fund - 821.8 3.8 (26Ja96)

Lazard Select Investment Trust Ld Ptg Red Prf 0.1p Europe Index Fund - £20.56 20.59 (26Ja96)

Lazard Smaller Equities Inv Tst PLCCum Red Stepped Capped Prf £1 - 155 (30Ja96)

London & St Lawrence Investment PLCOrd 5p - 170

USM Appendix

United Energy PLC Wts to sub for Ord - 1 (29Ja96)

Alternative Investment Market

Nash (William) 210 (25/1)

MONTHLY AVERAGES OF STOCK INDICES

	January	December	November	October
FT-SE Actuaries Indices				
100 Index	3715.8	3650.0	3580.3	3531.9
Mid 250	4064.1	3954.0	3924.1	3931.1
350 Share	1845.1	1809.7	1778.7	1760.6
Non-Financial	1919.92	1879.54	1854.75	1851.30
Financial Group	2915.37	2879.82	2805.35	2691.46
All-Share	1819.13	1783.30	1755.17	1739.84
Eurotrack 100	1529.83	1469.16	1429.93	1396.09
Eurotrack 200	1627.18	1576.37	1538.21	1512.34
FT/S&P-A World Index	202.41	200.42	193.89	192.30
FT Indices				
Government Securities	95.68	95.81	94.55	93.01
Fixed Interest	114.47	114.58	113.09	111.30
Ordinary	2749.6	2647.4	2618.8	2586.7
Gold Mines	2196.5	1832.85	1847.19	1864.60
SEAQ Bargains(5.00pm)	33,753	25,414	29,618	28,450

	Highest Close Jan	Lowest Close Jan
FT-SE 100	3759.3 (31st)	3654.9 (11th)
FT-SE Mid 250	4125.0 (31st)	4015.3 (11th)
FT-SE 350	1868.0 (31st)	1816.6 (11th)
FT-A All Share	1841.96 (31st)	1791.95 (11th)
Ordinary	2788.2 (24th)	2696.7 (2nd)

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie ends the week at an all-time high

By Philip Coggan, Markets Editor

The London stock market, having been sluggish for much of the week, showed surprising strength yesterday in the face of weakness in gilts and European shares.

The FT-SE 100 index surged ahead to set new all-time closing and intra-day highs. At the end of trading, the leading index was 28.5 points higher at 3,781.3, just shy of its best of 3,782.6. The Mid-250 index got within touching distance of its all-time high of 4,152.8, but closed just below its best at 4,152.2, up 23.3 on the day.

"The market seemed to be catching up, after performing disappointingly relative to Wall Street earlier in the week" said Mr Robert Buckland, UK strategist at James Capel. He added that the continued boost to liquidity from falling interest rates was outweighing political concerns and the effect of slowing economic growth on corporate profits.

There was some talk that yesterday's rally was being led by the futures market, where traders, who had gone short in anticipation of a market fall, may have been caught out by the rally and forced to buy the contract to square their positions.

The non-farm payroll figures in the US showed a surprising 201,000 drop, accompanied by a rise in the unemployment rate from 5.6 per cent to 5.8 per cent. While the depressed employment market may have been partly caused by severe weather conditions, it may also be evidence of a sharply slowing US economy.

Although the figures may illustrate the need for further US interest rate cuts, Wall Street did not initially respond favourably and the Dow Jones Industrial Average was around 4 points lower half an hour after the close of London trading.

Footsie was unabashed by US weakness, however, as it was by falls on continental bourses or the decline in gilts, where the benchmark 10 year issue finished around three-quarters of a point lower.

Takeover speculation continued to flourish with Ladbroke and Standard Chartered two of the top three Footsie performers on the back of renewed bid hopes. But food retailers continued to suffer from the downgrades in the sector which have followed J Sainsbury's profits warning earlier this month.

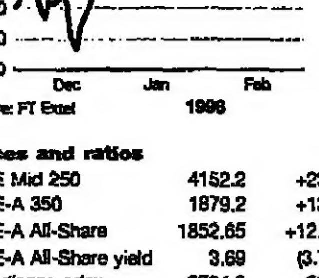
The supermarkets are not the only sector vulnerable to profit disappointments. "When the results season starts in earnest, analysts may have to start pulling down their 1996 forecasts" says Mr Tim Brown, UK market strategist at UBS. "So we could have a slightly difficult results season coming up."

While the London market is not teeming with gold-related stocks, the surge in the bullion price helped RTZ, the diversified mining group, rise nearly 4 per cent on the day. The Mercury World Mining investment trust was the second best performer in the Mid-250.

Volume was a reasonably healthy 827.9m shares by the 6pm count, of which just over half was in non-Footsie companies. National Grid was the most active stock, on the back of a placing of 30m shares.

The value of customer business on Thursday was £1.63bn; five of the previous six trading days had seen the total top £2bn.

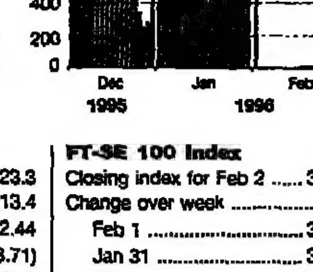
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding. Intra-market business and overseas turnover



Indices and ratios

FT-SE Mid 250	4152.2	+23.3
FT-SE-A 350	1879.2	+13.4
FT-SE-A All-Share	1852.65	+12.44
FT-SE-A All-Share yield	3.69	(3.71)
FT Ordinary index	2784.8	+22.0
FT-SE-A Non Fins p/e	17.21	(17.10)
FT-SE 100 Fut Mar	3796.0	+27.0
10 yr Gilt yield	7.56	(7.46)
Long gilt/equity yld ratio:	2.16	(2.12)

FT-SE 100 Index

Closing index for Feb 2	3781.3
Change over week	+46.6
Feb 1	3752.8
Jan 31	3759.3
Jan 30	3735.3
Jan 29	3734.6
High*	3782.6
Low*	3713.9

*Intra-day high and low for week

TRADING VOLUME IN MAJOR STOCKS

[illegible]

EQUITY FUTURES AND OPTIONS TRADING

A squeeze as dealers covered short positions, powered the lead contract in the futures sector to a new high and helped pull the underlying cash market to a record close, *writes Joel Kibazo*.

At the close of the session, the March contract on the FT-SE 100 stood at 3,802 having touched a high of 3,806 during the day. At the closing level, the contract showed a gain of 34 on the previous close, which was 8 points above its fair value premium to cash of 13 points. Volume was 13,974 lots.

Dealers said the sharp gains had provided healthy arbitrage opportunities several times in the course of the day.

In traded options, the last session of the week brought closing volume of 33,991 contracts. The FT-SE 100 index option was busy with total volume of 12,658 lots. Trading was more evenly spread in the stock options. RTZ was the most active with 1,185 trades recorded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3753.0	3802.0	+33.0	3808.0	3755.0	13974	64213
Jun	3775.0	3804.5	+33.0	3799.5	3775.0	89	1273

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4170.0	+30.0			0	3307

■ FT-SE 100 INDEX OPTION (LIFFE) (*3781) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

FT-SE-A INDICES - LEADERS & LAGGARDS

[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

Zeneca dives on drug fear

Zeneca, the pharmaceuticals group that has been tipped again and again as a takeover target, took a dive yesterday.

Shortly before the close of dealing the shares plummeted 60 and then rallied sharply.

It appeared that one member of James Capel's pharmaceuticals team had stood up at the mike yesterday afternoon with a story that accolate, Zeneca's new anti-asthma treatment, had run into regulatory problems.

The team said it was not talking to the press. However, rivals said Capel seemed to have become confused, possibly mixing up a request for information from the relevant UK approval committee about a month ago with an announcement from the US Food and Drug Administration. Accolate is projected by some brokers to produce global sales of around $300m by 2000 and the FDA is expected to discuss approval of accolate within the next two or three months.

Zeneca said it had received no comments on accolate recently from either the UK's CSM or the FDA. The shares ended the day 31 lower at 1245p with 4.2m traded.

Fears that the supermarket price war was deepening, plus another profits downgrade, left the sector trailing on an otherwise strong day in the market.

Supermarket slide

News that J. Sainsbury was launching its February Bonus price campaign was seen as an additional blow.

And with supermarkets accounting for around 22 per cent of the retail petrol market, there were worries that stiffer competition in that market will pile further pressure on weakened margins.

Several brokers, such as Kleinwort Benson, UBS and ABN Amro Hoare Govett, reiterated their negative stance on the sector yesterday. And as if all that was not enough, BZW – said to have been a long term bull on the sector – weighed in with a profits downgrade for Tesco. The broker was said to have trimmed its current year forecast by £8m to £682m and brought down the following year's figure to around £735m. Argyll Group fell 9 to 319p, the day's worst performance in the Footsie, weighed down by a line of 6m shares said to have been on offer from a leading broker.

Tesco fell 5 to 287p, after trade of 10m, while the strong market trend helped Sainsbury recover to close unchanged at 391p. Asda Group eased 1½ to 104p.

Gold rush

RTZ, one of the world's biggest mining companies, jumped 35 to 951p in the registered shares, just a couple of pence short of its record closing high.

The share price was responding to the hike in gold prices, which hit $416.75 an ounce yesterday.

Buying into mining groups is a geared investment into the price of gold and companies with exposure to the precious metal have risen sharply. At the other end of the scale from RTZ, Bakyrchik Gold shone 45 higher at 490p - making a rise of 17 per cent over the week following a 16 per cent gain the week before.

Takeover favourite Standard Chartered moved forward another 18½ to 649½p as the rumours returned.

One newspaper said Standard was considering an informal bid approach from National Westminster Bank that could lead to merger discussions. NatWest rose a penny to 667p.

National Grid was slightly easier after UBS placed 30m shares with institutions at 201p a share, on behalf of Central & South West. The shares were acquired when CSW took over Southern Electric. Grid shares eased a penny to 203p with 66m traded.

Yorkshire Electricity lifted 16 to 752p as US takeover talk increased.

Late afternoon bid talk returned to hotels and leisure group Ladbroke sending the stock to the top of the day's best performers in the Footsie.

The shares gained more than 7 per cent, as they put on 12 to 181p, though volume at 5m did not point to bid activity. Bass, once again mentioned in some quarters as the likely predator, closed 3 down at 738p, after trade of 2.3m.

Scottish & Newcastle were in demand after Goldman Sachs upgraded its recommendation from "market performer" to "moderate outperformer".

The shares closed up 12 at 656p. Sentiment in the stock has been boosted this week by a positive analyst visit to the company.

Whitbread continued to be seen as the favourite to acquire Forte's Welcome Break road side businesses from Granada. Shares in Whitbread gained another 11½ to 716p, while Forte put on 5 to 350p, and Granada, still considered cheap by several market specialists, gained 18 to 733p.

Terrestrial broadcaster Carlton Communications rose 27 to 1070p, as the government considered a report advising that BSkyB, the satellite group, should be restricted in its sports coverage. However, one analyst said the market appeared to have ignored trade press reports that Carlton had lost some £47m of advertising contracts recently.

Scottish Television gained 27 to 530p, helped by speculation that the opposition Labour Party will encourage a change in the law enabling the Mirror group to be able to buy it. Mirror group is currently restrained by monopoly considerations.

Pearson, the media conglomerate which owns the Financial Times, fell 7 to 655p after James Capel advised clients to pocket some profits.

BT recovered 3 to 362½p ahead of third quarter figures next week. BZW said regulatory concerns, which have depressed the share price over recent months, had been overdone. Securicor, in which BT has a big stake, rose 55 to 920p.

Confirmation ahead of next week's Singapore air show that Rolls-Royce is discussing a joint venture with Singapore Airlines, cheered the market and helped the shares firm 4½ to 213p in trade of 18m.

The stock has been in favour this week, boosted by recommendations from several brokers including Henderson Crosthwaite, which has a medium term share price target of 240p.

Lucas Industries was helped by a positive note from Henderson Crosthwaite. The shares hardened 6 to 204p.

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Bakyrchik	490	+	45
Danka Business	629	+	29
Eldridge Pope A	233	+	24
Fuller ST A	449	+	24
Johnson Matthey	564	+	20
RTZ	951	+	35
Securicor A	920	+	55
Shani Group	158	+	8
Soundtracs	33	+	5
Standard Chartered	649½	+	18½
Thorn EMI	1707	+	34
Falls			
Appl Distribution	176	–	11
Bluebird Toys	332	–	17
British Biotech	1975	–	138
Celltech	475	–	43
Chiroscience	274	–	10
Dawson Int	97	–	14
Frost Group	124	–	16
Lookers	138	–	8
NSM	41	–	5
Zeneca	1245	–	31

NEW 52 WEEK HIGHS AND LOWS

NEW HIGHS (224).

GILTS (1) ALCOHOLIC BEVERAGES (1) Bulmer (HP), BANKS, MERCHANT (2) King & Shaxson, [illegible]

... INVESTMENT TRUSTS (2) INVESTMENT COMPANIES (1) Bels Vieners, LEISURE & HOTELS (1) St James Beach Hotel, MEDIA (1) Lopex, OIL EXPLORATION & PROD (1) Ohio Resources, PAPER, PACKG & PRNTG (1) Sappi, PROPERTY (3) British Land 8¾pc Deb 2035, Panther Secs, Warnford, RETAILERS, GENERAL (3) Frost, Stylo, TEXTILES & APPAREL (2) Albion, Dawson Intl, TRANSPORT (2) Dawsongroup, Eurotunnel Units, AIM (2) Caledonian Trust, SCS Satellite Comms Systems.

OFEX FACILITY

OFEX is a trading facility for share dealing in unquoted companies.

Company	Mid Price(p)	Change on Wk (p)	Company	Mid Price(p)	Change on Wk (p)
Arknil Carr PLC	17		National Parking Corp	465	
Advanced Media Grp PLC*	235	+35	Oakhill Enterprises Ltd	25	-50
Arabian Gold PLC	20		Pavilion Holdings PLC	270	
Arnos Village PLC	35	+1	Prof Enterprise Grp	125	
Arsenal FC	72500		Proginet PLC	36	+6
Assured Care Centres	45		Rangers FC	65	
Barker Securities	3		Sakhalin Petroleum PLC	10	
Central Railway	105		Secured Property Devs	18	
Du Bois PLC	65		Shepherd Neame	1065	
Europlan Holdings Ltd	22.5		Symonds Skin Care PLC	57	+8
Gabriel Trust PLC	10		Transense Tech	150	-10
Granuaile Shipping	58	+3	United Business GRP	60	
Greenstar Hotels	11		Viewcall Europe plc	80	
Hydro Hotel E'Bourne	400		Watermark Group	12	
IES Group PLC*	610	+80	Weetabix Ltd	2700	
Irish Marine Oil	8.5	+3	Wellington Mkt & Pro	108	
Just Group PLC*	35		Welsh Gold PLC	42	
Labyrinth Group PLC	37		Wentworth Intnl Group	2	
Lion Publishing PLC	105		Woodchester PLC	60	
			Wynnstay & Clwyd Farmers	430	

Prices as at 4.30 pm 02 February 1996. * Other classes of share available.

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THE ALL ENGLAND LAWN TENNIS GROUND plc ("Company")

£2,000 nominal debentures 1996/2000 Series ("Centre Court Debentures")

Set out below are the prices and dates of the three most recent transactions in the Centre Court Debentures, as notified to the Company. The amount of £19,625 has been paid up on the Centre Court Debentures. The final instalment of £8,225 was due on 31 January 1996.

£19,000 (19/01/96); £19,000 (19/01/96); £19,000 (19/01/96)

This advertisement appears as a matter of record only and has been approved for the purposes of section 57 of the Financial Services Act 1986 by NatWest Markets Corporate Finance Limited which is regulated by The Securities and Futures Authority Limited. 3 February 1996

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	1995/96 high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		512xd	-1	568	476½	5,289	5.8	18.5
Bulmer (HP)		547½xc	+9½	547½	390	288.1	2.8	17.2
Burn St Dist		123		149	99	72.9	5.1	26.5
Grand Met		434½xd	-2½	487	352	9,085	4.3	15.3
Guinness		482	+3	536	404	9,389	3.8	14.3
Highland		330	-2	445	315	439.6	3.0	15.0
Kirin Y		797¼	-4½	806	621	8,395	0.8	30.8
Macallan-Glen		166		217	157	184.9	1.0	36.8
Macdon Martin A		630		710	600	88.3	2.2	17.8
Matthew Clark		698xd		894	532	578.6	4.2	-
Merrydown		102		140	61	11.1	2.5	-
Seagram $		£22[illegible]	-½	£25[illegible]	£16[illegible]	6,513	1.2	-

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL, EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✲ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ¤ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
e Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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FINANCIAL TIMES
Weekend February 3/February 4 1996

Turkey's caretaker PM fails to form new coalition government

Opposition leader may do deal with Islamists

By John Barham in Ankara

Mrs Tansu Çiller, Turkey's caretaker prime minister, acknowledged defeat yesterday in her attempts to form a new coalition government more than a month after elections gave no party a clear mandate to rule.

After a meeting with Mr Mesut Yilmaz, leader of the opposition conservative Motherland party, Mrs Çiller announced they had failed to agree on alliance terms. She is expected to notify President Süleyman Demirel today that she has given up trying to form a government.

The lack of progress increases the chances of Mr Yilmaz trying to strike an agreement with the Islamist Refah party, which took 21 per cent of the votes in the election. This made it the largest party in the 550-member parliament with 158 seats, albeit well short of a majority.

Such a deal would go against pledges by Mr Yilmaz that he would not collaborate with the Islamists. His party has a large contingent of Islamist sympathisers and his MPs are restive at the prospect of new elections or another period out of office.

Turkey's political system has been paralysed since the elections, which left Mrs Çiller's True Path party with 135 seats and Motherland 133. Two smaller leftwing parties hold the remaining seats.

Although Mrs Çiller and Mr Yilmaz are committed to pro-western and market-oriented economic policies, they have never been able to agree on power-sharing - the two leaders distrust each other too deeply.

Mrs Çiller had offered to rotate the premiership with Mr Yilmaz. Later she offered to share power with him equally and said she supported, as a gesture of good faith, the election of a Motherland candidate as parliament speaker. But Mrs Çiller said yesterday: "We offered all the formulas to [Mr Yilmaz]. But he refused because of his personal pride."

Mr Yilmaz said he could not work with Mrs Çiller while she insisted on remaining as prime minister. "I refused [because] she did not bring anything new. She is making the [government-forming] process longer. Because of this we lost 16 days." Party leaders must agree on a new government by mid-March, otherwise Mr Demirel will be forced to call fresh elections.

Political commentators, diplomats and business executives who had pushed hard for a True Path-Motherland coalition now appear less worried about a Refah-led government.

A US banker in Istanbul said: "As long as the key economic ministries are in [the Motherland party's] hands, we won't worry." The Istanbul stock exchange's index closed down 1 per cent yesterday, while the US dollar climbed 1 per cent against the Turkish lira.

Baxter offers $3.8bn for control of dialysis company

By Richard Waters in New York

Baxter International, the US healthcare group, yesterday made a $3.8bn approach to gain control of National Medical Care, the world's largest provider of kidney dialysis equipment.

Baxter announced its interest in NMC after failing to secure the agreement of W. R. Grace, the chemicals group which owns the company, for its offer. By going public, Baxter now hopes to win over Grace's shareholders, putting pressure on the chemicals group to reconsider selling the subsidiary.

Grace, meanwhile, is widely rumoured to have talked to other potential purchasers of NMC including Fresenius, the leading German maker of dialysis equipment. Neither Grace nor Fresenius could be contacted for comment yesterday.

Baxter's move, known in mergers and acquisitions circles as a "bear hug", is the latest twist in a troubled year for NMC and Grace. The chemicals group said last summer that it planned to spin off NMC to its management, led by Mr Costantine Hampers.

Mr Hampers had built the company from scratch before selling it to Grace, but sought to split it apart again after he lost out in the battle for the top job at Grace itself.

Since then, NMC has become the centre of a series of federal and state investigations over its handling of reimbursements under the Medicare and Medicaid schemes. It has also suffered adverse publicity over the quality of its dialysis treatment. That led Grace two months ago to announce a delay to the spin-off, prompting Baxter to make the latest in a series of approaches it had made to buy NMC.

A purchase, if completed, would mirror the vertical integration that is under way in other parts of the US healthcare industry. By bringing together all the functions in a particular area of treatment, from the manufacture of medical products to the delivery of care, companies such as Baxter are seeking to strengthen their relationships and pricing power with the large managed care groups which are coming to dominate the US healthcare market.

Baxter generated $1.3bn of its $10bn sales last year from the making of renal equipment, such as dialysis machines. NMC reported sales of $1.9bn, most of it from operating 624 outpatient dialysis centres in the US and 12 other countries.

If Baxter bought NMC, it would secure its ties with a company that is the largest customer for its renal equipment. Similar defensive considerations are likely to stir interest from Fresenius, which is thought also to be a significant supplier to NMC and which may therefore risk losing a big customer.

Baxter said its offer for NMC comprised $1.8bn in stock, to be issued to Grace shareholders; a $1.3bn cash dividend, to be paid to Grace; and the assumption of $425m in debt and the issuance of a $300m note.

Apple chief believed ousted

Continued from Page 1

board would be looking for a new chief executive.

Mr Amelio, 52, is highly regarded as a "turnaround expert", having revived the fortunes of National Semiconductor, which he joined in 1991, and the semiconductor division of Rockwell International. He has been a member of Apple's board since November 1994.

At National, he slashed costs by cutting jobs and closing plants, transforming the loss-making chip maker into one of the stronger companies in the US semiconductor industry.

Tim Bajarin of Creative Strategies, an industry consulting group, said Mr Amelio's appointment at Apple was "a strong indication that the board now believes returning the company to profitability must be its top priority, rather than seeking a merger partner".

He said Mr Amelio "will bring stability to Apple and shore up its management". Over the past few months more than 12 senior Apple executives have resigned. Yesterday Mary Ann Cusenza, Apple treasurer, resigned.

With Mr Spindler's anticipated resignation, he will become the third chief executive to be forced out at Apple. He took over as chief executive in a 1993 management coup that ousted John Sculley. Previously, Apple's board forced out Steve Jobs, the company's co-founder.

Until this week it appeared that Apple's board was determined to support Mr Spindler, despite criticism of his management style and calls from shareholders for his resignation.

His failure to articulate a clear strategy for Apple's recovery and the exodus of Apple employees appears to have forced the board to act. Pressure mounted as customers cut orders amid uncertainty over Apple's future.

Growth fears over US jobs

Continued from Page 1

was down 13/32 at 110 5/16 to yield 6.112 per cent.

Robert Chote, Economics Editor, adds: Mr Larry Summers, deputy secretary at the US Treasury, said at the World Economic Forum in Davos, Switzerland, that the outlook for the US remained good.

His upbeat prognosis comes three days before the US is set to publish a fresh set of economic forecasts. A US official said these would not be "qualitatively different" from previous forecasts. This would indicate growth of slightly over two per cent.

US strikes 'open skies' deal with Germany

Continued from Page 1

Europe for the next century. We are the key for the Americans in terms of reaching a US-European agreement." He said an overall US-European accord was more likely now that the US had reached agreement with one of the large EU countries.

The German government said Lufthansa, the national carrier, would now ask the US for anti-trust immunity to allow it to co-operate more closely with United Airlines, its US partner.

KLM, the Dutch carrier, and Northwest Airlines of the US were granted anti-trust immunity after the US and the Netherlands concluded an open skies agreement in 1992.

Aviation officials in the US said they hoped the agreement with Germany would place the UK under pressure to increase access to London's Heathrow airport. Negotiations between the US and the UK, Europe's biggest air market, broke down last year.

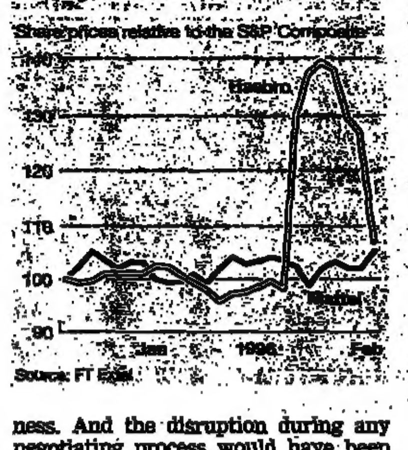
Senator Larry Pressler, chairman of the US Senate Commerce and Transportation Committee, said the UK would now face greater competition in the aviation market.

THE LEX COLUMN

Apple turnover

Apple's apparent decision to oust its chief executive, Mr Michael Spindler, signals the ailing computer maker's determination to struggle on independently. Merger talks with rival Sun Microsystems appear to have been abandoned, but a new chief executive will face the same old problems. Apple's personal computer business has lost the battle against Microsoft. With only 10 per cent of the market, it lacks the muscle to compete on price or persuade applications developers to write enough software for its Macintosh system. The best solution would be for Apple radically to cut back its entire manufacturing operation. A leaner Apple would still have its brand name and its distribution network. It might then be able to carve itself a niche designing new gizmos such as stripped-down computers for the Internet and interactive television.

FT-SE Eurotrack 200:
1675.9 (+5.3)



British Gas

It may seem vindictive of institutions to press British Gas's chairman to ease out the current chief executive; after all, many of BG's problems stem from external circumstances, not management inadequacy. But this misses the point. BG's management took far too long to face up to the difficulties arising from its vast bundle of uneconomic gas contracts. It has still not produced a credible strategy – other than the vain hope of a government bail-out – for sorting the problem out.

This is what the institutions really want from Mr Richard Giordano. Of course they want a management team which is up to the job. But Mr Giordano's real project is to articulate a convincing vision of where the company is heading. A new chief executive may indeed help him do so.

Hasbro/Mattel

GI Joe's manufacturer Hasbro successfully rebuffed the advances of Barbie yesterday, when Mattel withdrew its offer, but still has a fight on its hands. Hasbro's shareholders yesterday saw the value of their investment fall 25 per cent below its peak when Mattel first announced its proposed merger. Investors must now be assured that Hasbro's defences were constructed in the best interests of all shareholders, rather than just to protect a poorly-performing management.

Of course, Hasbro had a defence – that the antitrust authorities in the US and Europe might block the creation of the world's largest toy business. And the disruption during any negotiating process would have been significant. Nonetheless, it was far from clear the deal could not have proceeded with just a little fine tuning. And anyway, Hasbro was offered a $100m termination fee as compensation if a deal could not be done.

It is also possible Hasbro can justify its actions on the basis that investors will have a glorious future under the present management. But they will not have long to prove it. If investors are not appeased, they will be receptive to other suitors, such as the new breed of entertainment conglomerate. Moreover, the shadow of Mattel will remain. Mattel never put down an actual offer, so there is nothing to stop it returning. So if Hasbro's management performance continues to disappoint, a resumption of the anti-trust debate looks inevitable.

UK telecoms

When BT was privatised, it was hoped that the regulatory regime put in place to curb monopolistic pricing would wither away. But it was also acknowledged that the regime could not be relaxed until the group faced effective competition. BT has now shrewdly combined these two nostrums with a third: that effective competition will only develop if new entrants are able to earn decent returns – and that can only occur if BT itself is allowed to make reasonable money.

Such logic is clearly self-serving, but it also has merit. Whenever competition is possible, it is a much better way of promoting consumers' interests than regulation, which tends to stifle innovation. That said, it is of course important that the regulator does not allow BT to make excessive returns. And exactly what constitutes a reasonable return will be a key feature of the coming debate; the regulator thinks a return on capital of 9 per cent-13 per cent is reasonable, while BT says 16 per cent-18 per cent is necessary.

Though there is a huge gulf in perceptions over what the rate of return should be, just as important in determining how much money BT can make will be the method of calculating the amount of capital employed. Calculating how much it would cost if BT had to build its network today rather than the book value of its assets would lead to a higher value for BT's capital base. That would go a long way to compensating BT for a low rate of return.

Televised sport

The UK government's discussion document on broadcast sport has done nothing to get it off the painful hook on which it is impaled. The document confirms that ministers have no idea whether to legislate to try to stop BSkyB snapping up the most popular sports events.

They should resist the pressure to do so. Even if there is a public interest case for maintaining free viewing of some televised sports, there is no reason why the publicly-funded BBC should not pay sports bodies a fair price for their rights, rather than enjoy prices artificially pegged by legislation. Moreover this week's decision by the International Olympic Committee to select a consortium of terrestrial broadcasters, rejecting BSkyB's higher bid, underlines the fact that sports authorities themselves have an interest in maximising audiences as well as revenue. They will harm their own interests if they allow their sports to become marginalised.

Some think the government should legislate over sports because of BSkyB's effective monopoly control over satellite television. Viewers who want to watch sporting events, it is argued, should not be at the mercy of a monopolist. If so, the answer is not to place restrictions on BSkyB's freedom to buy sports rights. It is rather to address the problem of its monopoly, which is currently been investigated by the Office of Fair Trading. Investors too should be watching the OFT rather than the government, as it poses the bigger threat to BSkyB's market power and profitability.

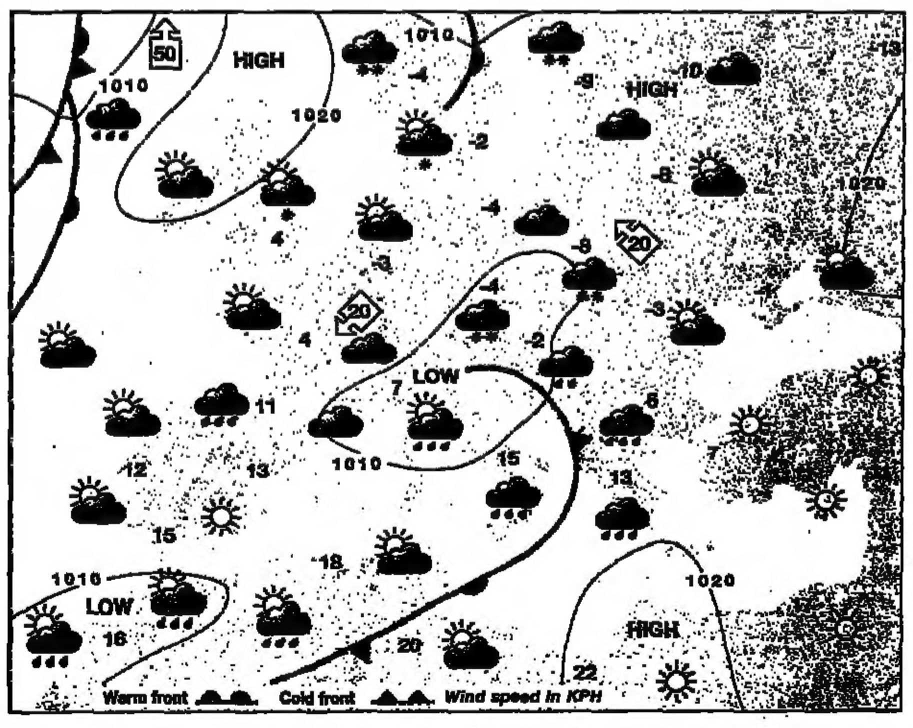
FT WEATHER GUIDE

Europe today

Northern Spain and southern France will remain cloudy with rainy periods. However, elsewhere in Spain and Portugal, cloud will disperse and bright sunny periods will occur. Sunshine is also expected in the eastern Mediterranean, particularly on Cyprus and in Turkey. Heavy rain will fall in Italy and the Balkans. North-western Europe will remain cold with maximum temperatures remaining below freezing. Along the coastal regions of the Benelux, England and Scotland, snow showers will develop. Snow will also fall around the Alps, Hungary and parts of Poland. Southern Scandinavia will be cloudy, however, some sunny spells can be expected. Denmark will experience light snow. Cloud will cover much of eastern Europe and European Russia.

Five-day forecast

Disturbances across southern Europe will produce cloud and rain in Italy, the Balkans, Greece and Turkey. At the beginning of next week cloud and rain will also enter Portugal and Spain for a short time. Meanwhile, the north-western parts of the continent will remain cold with maximum temperatures remaining below freezing. Sunny spells will occur, but after the weekend, the UK and the Benelux will turn cloudy and it will start to snow and rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	4	Caracas	cloudy	28	Faro	fair	15	Madrid	fair	7	Rangoon	fair	34
	Celsius		Belfast	fair	4	Cardiff	fair	1	Frankfurt	cloudy	1	Majorca	fair	15	Reykjavik	sleet	3
Abu Dhabi	sun	25	Belgrade	fair	5	Casablanca	shower	16	Geneva	cloudy	6	Malta	fair	19	Rio	shower	29
Accra	fair	31	Berlin	snow	-3	Chicago	fair	-14	Gibraltar	fair	15	Manchester	cloudy	3	Rome	shower	15
Algiers	fair	19	Bermuda	thund	21	Cologne	cloudy	-2	Glasgow	fair	3	Manila	shower	30	S. Frsco	fair	14
Amsterdam	snow	-1	Bogota	shower	20	Dakar	sun	25	Hamburg	fair	-4	Melbourne	fair	22	Seoul	sun	3
Athens	fair	11	Bombay	sun	32	Dallas	cloudy	3	Helsinki	snow	-8	Mexico City	fair	19	Singapore	shower	28
Atlanta	cloudy	7	Brussels	cloudy	-1	Delhi	sun	22	Hong Kong	sun	19	Miami	fair	26	Stockholm	cloudy	-6
B. Aires	fair	28	Budapest	snow	-2	Dubai	sun	25	Honolulu	fair	28	Milan	shower	5	Strasbourg	sleet	2
B.ham	cloudy	2	C.hagen	snow	-3	Dublin	fair	5	Istanbul	fair	6	Montreal	fair	-16	Sydney	sun	25
Bangkok	fair	32	Cairo	cloudy	19	Dubrovnik	rain	13	Jakarta	shower	30	Moscow	snow	-10	Tangier	fair	15
Barcelona	shower	14	Cape Town	fair	26	Edinburgh	snow	3	Jersey	shower	5	Munich	sleet	-1	Tel Aviv	fair	14
									Karachi	sun	27	Nairobi	fair	29	Tokyo	fair	8
									Kuwait	cloudy	19	Naples	shower	14	Toronto	fair	-12
									L. Angeles	fair	18	Nassau	fair	28	Vancouver	fair	4
									Las Palmas	shower	20	New York	snow	-3	Venice	shower	8
									Lima	cloudy	27	Nice	cloudy	10	Vienna	snow	-4
									Lisbon	fair	14	Nicosia	sun	14	Warsaw	snow	-7
									London	cloudy	4	Oslo	cloudy	-7	Washington	snow	-2
									Lux.bourg	cloudy	0	Paris	cloudy	4	Wellington	fair	22
									Lyon	drzzl	8	Perth	sun	35	Winnipeg	fair	-25
									Madeira	shower	17	Prague	cloudy	-5	Zurich	snow	1